

PUBLIC ACCOUNTS COMMITTEE

1952-53

SIXTH REPORT

[HIRAKUD DAM PROJECT]



PARLIAMENT SECRETARIAT

NEW DELHI

March, 1953.

Composition of the Public Accounts Committee, 1952-53

Shri B. Das—Chairman.

MEMBERS

2. Pandit Munishwar Dutt Upadhyay.
3. Shri M. L. Dwivedi.
4. Shri Shree Narayan Das.
5. Shri Tribhuan Narayan Singh.
- *6. Shri H. V. Pataskar.
7. Shri Ranbir Singh Chaudhuri.
8. Acharya Shriman Narayan Agarwal.
9. Dr. Mono Mohon Das.
10. Pandit Krishna Chandra Sharma.
11. Shri Uma Charan Patnaik.
12. Shri V. P. Nayar.
13. Shri B. Ramachandra Reddi.
14. Shri G. D. Soman.
15. Shri K. M. Vallatharas.

SECRETARIAT

Shri M. N. Kaul—Secretary.

Shri S. L. Shakdher—Deputy Secretary.

*Elected on the 11th December, 1952 vice Shri Balwant Nagesh Datar deceased.
1313 P.S.

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INTRODUCTION

I, the Chairman of the Public Accounts Committee having been authorised by the Committee to submit the Report on their behalf, present this Sixth Report on the Hirakud Dam Project.

2. The Public Accounts Committee at their meeting held on the 9th September, 1952 appointed a sub-Committee to consider the Report of the Departmental Committee set up by the Government of India in November, 1951 to enquire into the affairs of Hirakud Dam Project and also the various financial and accounting irregularities etc. that had come to light so far during the execution of this Project. The Report of the sub-Committee which is appended herewith was considered and approved by the Public Accounts Committee at their meeting held on the 23rd March, 1953, and should be treated as the Report of the Public Accounts Committee.

3. The Committee wish to draw special attention to the following facts :—

- (a) the continued execution of works without detailed sanctioned estimates for five years from the commencement of the Project contrary to established practice and rules;
- (b) the failure from the very commencement of the Project to make adequate arrangements for the storage and care-taking of crores worth of plant machinery and stores and their proper accounting;
- (c) the flouting of Financial and Accounts Rules by responsible Engineers on a scale and in a manner which has assumed grave proportions; and
- (d) instances of nugatory and infructuous expenditure and what is worse, instances of contracts and consequential expenditure involving serious irregularities and disregard of public interest.

The Committee consider that continued delay on the part of the Government to enforce discipline and respect for the due observance of Finance and Accounts Rules can only result in all-round indiscipline and serious damage to the Project itself and its economic execution.

4. The Committee would further draw attention to the specific recommendations which they have made in order to remedy the existing state of affairs and to secure rapid and economic progress

of this important Project, in particular, the appointment of a high level all-round Administrator of the widest experience and ability in entire charge of the Project. The Committee have in mind the complexities and requirements of multi-purpose Projects of large magnitude in making this recommendation.

The Committee would further impress that the adoption of sound administrative policies and methods in Projects of this kind are vital for the success of the Five Year Plan.

5. A statement showing the summary of the recommendations is given at the end.

NEW DELHI,
25th March, 1953.

B. DAS,
CHAIRMAN,
PUBLIC ACCOUNTS COMMITTEE.

**REPORT OF THE SUB-COMMITTEE
ON THE
'HIRAKUD DAM PROJECT'**

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I

INTRODUCTION

I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on the 'Hirakud Dam Project' to the Public Accounts Committee.

2. The project for the construction of a Dam at Hirakud, is a subject which primarily falls within the sphere of the Orissa Government, but its construction has been undertaken by the Government of India at the request of the Orissa Government as an agent of that Government. This arrangement was concluded in 1948 as a result of the preliminary investigations conducted by the Central Waterways, Irrigation and Navigation Commission (now Central Water and Power Commission—C.W.&P.C.) on the feasibility of the Project.

3. Under agreement between the two Governments, the Commission was to undertake the construction and completion of the Project before handing it over to the Orissa Government. The Government of India were also to advance to the Government of Orissa the sums required from time to time for the execution of the Project. The sub-Committee understand, therefore, that the detailed accounts of the Project would appear in the Accounts of the Orissa State and the required sums would be voted by the Orissa Legislature. The actual responsibility for the construction of the Project has been assumed by the Government of India who have also to advance enormous sums. The Government of India and the Parliament cannot, therefore, divest themselves of their responsibility for seeing that the Project is executed efficiently and economically and that due regard is paid by the Officials of the Union Government entrusted with this work to all administrative, financial and accounting Rules.

4. Moreover, so long as the responsibility for the construction of the Project is vested in the Central Government and its Officers, it is only the Central Government and the Central Public Accounts Committee that can deal with the questions arising from the execution of the Project. It is not possible for the Orissa Government to defend any matters connected with the execution of this Project before the Orissa Legislature. Indeed, for these reasons, we understand that the Comptroller and Auditor-General is now contemplating that the entire expenditure should appear *ab initio* in the Central Accounts, and, that the consequential changes in the Budgets and Accounts of the Central and Orissa Governments should be made, as this would be more in accord with the chronology of facts.

5. While examining the Appropriation Accounts of the Ministry of Irrigation and Power, the Public Accounts Committee during their session held in September, 1952 looked into the activities of the C. W. & P. C. and in particular the Hirakud Dam Project executed by it. Their attention having been drawn to the Fifth Report of the Estimates Committee and the discussions in Parliament criticising the various items of execution of the Project and also to the appointment by Government of a Departmental Committee to enquire into certain matters connected with the accounts and finance of the Project, the Public Accounts Committee appointed this sub-Committee consisting of the following Members to take note of the various irregularities which had been brought to the notice of Government by the Financial Adviser and Chief Accounts Officer as well as by the Audit Department:

Shri T. N. Singh	... Chairman.
Shri S. N. Das	... Member.
Shri Uma Charan Patnaik	... Member.

6. As the detailed formal Audit Reports are understood to be in the draft, we took the assistance amongst others, of the Ministry of Finance, Accountant General, Orissa, and the Financial Adviser and Chief Accounts Officer as well as the Officers of the Ministry of Irrigation and Power and the Hirakud Dam Construction Organisation to ascertain facts. We were particularly anxious to go into these matters in view of the fact that the estimates of the Project now stand at nearly double the amount of the original preliminary estimates of the C. W. & P. C. which stood at Rs. 47.81 crores.

7. The sub-Committee held 20 sittings during October, November, December 1952 and February, 1953 for the examination of witnesses etc., and 16 sittings for consideration of the evidence and all available information and drafting of this report. The members of the sub-Committee also visited the site of the Project in December, 1952 in order to see on the spot the construction of the various works viz., bridges, irrigation canals, dams etc.

8. The sub-Committee also place on record their great appreciation of the valuable assistance given to them in the course of their examination of the affairs of the Hirakud Dam Project by the Comptroller and Auditor-General of India and his Accountants-General. The sub-Committee are obliged to their Secretariat for their unstint-

ing labours at great pressure. They also thank the representatives of the Ministries of Finance and Irrigation and Power for their co-operation.

(Sd.) T. N. SINGH, M.P.

CHAIRMAN,

SUB-COMMITTEE OF PUBLIC ACCOUNTS COMMITTEE

NEW DELHI,
Dated the 19th March, 1953.

WORKS — EXECUTION WITHOUT ESTIMATES

9. The first Project Report and the estimates prepared by the Central Water and Power Commission were based upon the result of the investigations, which were commenced in November, 1945, and surveys conducted by the Commission for a period of nearly 18 months. As soon as the preliminary investigations showed the feasibility of the Project, the Government of India and the Government of Orissa appeared to have been most anxious to lose no time in the commencement and completion of the Project. The administrative approval to the Project was accorded in April, 1948 on the basis of the Report prepared by the Commission in June, 1947 and the Organisation which had been established for the preliminary survey and investigations was converted into a Construction Organisation under a Chief Engineer. The Project Report of 1947 was no more than a general statement of the data required for establishing the technical feasibility of the Project and the economic advantages. It did not contain any designs or plans and the estimated costs were no more than lump sums based upon rough guess work. On the basis of the Project Report, work was started. The regular construction work of a Project can, however, only be undertaken after complete plans, designs and estimates have been worked out. Detailed estimates sanctioned by competent authority should precede normally before the commencement of works. This is necessary for the following reasons:—

- (a) for proper planning;
- (b) for the Government to know precisely its financial commitments; and
- (c) for an effective control over the construction authorities both technically and financially and in that connection to enable the Controlling, Technical, Accounts and Audit authorities to see that the execution of the works is in accordance with the Plans and Estimates and no deviations therefrom have been made without the sanction of the competent authority.

10. Since it was felt that the Orissa Government with its resources was not in a position to undertake full responsibility for the project, the Government of India decided to advance a loan for the purpose, its execution being placed in-charge of C. W. & P. C. The C.W. & P.C. were not only entrusted with the execution of the works, they were also the Consulting Engineers. Its Chairman subsequently became Additional Secretary to deal with matters connected with

multi-purpose river-valley projects at Secretariat level. In this manner, almost unfettered power and authority were given to the C. W. & P. C. and its Chairman.

11. The Chairman of the C. W. & P. C. strengthened the technical side by seeking the advice of the International Engineering Company of U.S.A. in regard to the designs of the Project and also kept in constant consultation with Dr. Savage, an American expert on Designs.

It was the intention of the Government of India and the Commission that a Central Designs Organisation should be established under the C. W. & P. C. which would complete the detailed design of the Project using, if necessary, foreign Experts. The designs were to be complete and were to show various quantities and the detailed estimates were to be prepared subsequently by the Chief Engineer, Hirakud Dam Project on that basis. The sanction of the Commission had to be obtained in respect of all detailed estimates in excess of Rs. 2 lakhs [vide Government of India, Ministry of Works, Mines & Power letter No. DWII-1(10) dated the 29th March, 1949]. Obviously, this procedure was laid down in order to enable the Commission to exercise effective control over the execution and cost of the project.

12. Early in 1948, work on the Project was taken in hand. The Directorate-General, Disposals were asked to provide all material and equipment which they had with them at the earliest possible date. In order to save time, it was even decided not to go into detailed list of equipment to be brought to Hirakud and bulk orders were placed. The sub-Committee have been informed that stores of the value of about Rs. 5 crores were brought to Hirakud in a period of 6 months by the middle of 1948. Though the stores were ordered, accommodation facilities at Hirakud did not exist and they were dumped in the open. The sub-Committee were told that due to the stores being left in the open, proper control and check could not be exercised. Nor was it possible to classify these stores. Right up to the time when the sub-Committee concluded their deliberations, no priced ledgers were in existence. It was only in the year 1952 that ground balances were ~~settled~~ counted.

13. The attention of the sub-Committee has been drawn to the fact that as a rule large number of works have been undertaken right from the commencement of the Project without sanctioned detailed estimates in the manner provided. The sub-Committee give below a statement showing the number of works started in each year on the project with and without detailed estimates, and the relevant expenditure incurred thereon up to November 1952.

Year I	Total No. of works commenced 2	No. of works commenced without sanctioned detailed estimates 3	Percentage of Cols. (3) to (2) 4	*Expenditure incurred up to 30th November, 1952 before sanction to detailed estimates 5	*Expenditure up to 30th November, 1952 on works commenced with a sanctioned detailed estimate 6
1948-49	228	178	78%	29,74,827	76,761
1949-50	565	465 } (30%)	82%	82,61,518 } (29%)	17,25,489
1950-51	493	404	82%	93,35,509	17,81,177
1951-52	2061	1620 } (70%)	79%	4,29,37,242 } (71%)	46,42,210
1952-53 (upto Nov. '52)	1077	849	79%	96,15,561	19,99,960
TOTAL	4424	3516 (100%)	79%	7,31,24,657 (100 %)	1,02,25,597

* These figures have been furnished by the Accountant General, Orissa.

The following points which emerge from the above analysis are important:

- (i) three-quarters of the irregularities in incurring works expenditure without estimates have occurred after April, 1951; and
- (ii) of the total works expenditure incurred between April, 1951 and November, 1952, 90 per cent. has been irregularly incurred without sanctioned estimates.

It is clear from the above that even nearly three years after sanction to the Project and its commencement, the importance of having sanctioned estimates was not realised and the volume of irregular expenditure grew out of all proportion.

14. Due to numerous complaints made as early as 1948 regarding accounting of works and stores and also reports of loss and pilferage, Mr. A. S. Bhalla, Accounts Officer of the C.W. & P.C. was sent to enquire into the matter on the spot and submit a report. In his report dated the 8th January, 1948, he said:

"It is well known that estimates of the various works carried under the project investigation sanction have not been prepared or got sanctioned but a still greater irregularity has been in that expenditure has also not been booked by estimates. It has been stated that as there were no estimators, the estimates could not be prepared and in the absence of estimates the expenditure could not be booked against them and therefore was classified only according to the sub-head given in the Project investigation sanction.....Certain estimates were actually prepared and submitted to C. W. & P. C. where they have been mislaid. Anyway, the expenditure could have been booked by the various items of works each being given a nomenclature and the estimate preparation could have waited till the estimating staff was available. The result of this lumping up of expenditure would be that all the expenditure previously incurred will have to be overhauled and reclassified according to the estimates to be prepared. In other words, it means re-doing most of the account work already done. This matter also deserves very early and serious consideration as otherwise confusion will increase with the expansion of activities. To quote an example, certain works previously under the River Development Division have been transferred to the Mahanadi Investigation Division but the latter Division has not been supplied with any statement showing the expenditure incurred on each work in the River Development Division."

After this report, necessary instructions were issued, but with little effect. The execution of works without sanctioned estimates assumed more serious proportions as the above figures show, and the defects in the upkeep of the works accounts continued.

15. The Accountant General, Central Revenues reported in January, 1949 a number of financial irregularities and stated as follows:—

All the works executed by the Division so far have been done departmentally except that in the case of temporary building huts and sheds contractors were employed for carrying out works on payment of labour rates only the materials being supplied by Government.

Power House Workshop up to October, 1948	4.51 lakhs.
Material and Transport up to October, 1948.	8.68 lakhs.
Earth Dam up to November, 1948.	11.36 lakhs.
The remaining three Divisions up to November, 1948.	0.88 lakhs
	25.51 lakhs.

No account of materials issued to works carried out either departmentally or through contracts at labour rates was kept. An attempt is being made to compile the material accounts after the works had been completed.

Another serious defect that was noticed was that until August, 1948 there was no authorised schedule of rates for the various items of works and the Divisional Officers had to work on their own rates. It was only in August, 1948 that the Chief Engineer of the Project sanctioned a schedule of rates for certain items of work. Submission of an estimate for sanction after the work is completed would not serve the purpose for which estimates are prepared, and *ex-post-facto* sanction will have to be accorded as a matter of course to the expenditure already incurred."

In this connection, the sub-Committee would also refer to the observations made by a high Engineering authority in a note given by him to the Ministry of Finance referring to the major sources of delay in the preparation and sanction of detailed estimates. It says:

- "(a) lack of appreciation of importance of estimates as the main elements for engineering and accounts control;
- (b) a tendency amongst subordinates to avoid work and control that the estimates enabled to be put on them; and
- (c) unwillingness among officers, one or other in a series to assume responsibility which is properly theirs".

Further comment is needless.

Up to September 1948, the Government of India had not implemented the original intention of setting up a special Accounts Office at Hirakud for the maintenance of the Accounts of the project as a whole. In the case of large projects, it has always been the practice to provide a special Accounts Office dealing with the project as a whole.

A meeting was held on the 7th September 1948, in order to consider the arrangements to be made for the proper accounting and audit of expenditure in connection with major projects including Hirakud.

At this meeting were present the Auditor-General, the Secretary and Joint Secretary of the Ministry of Works, Mines and Power, Joint Secretary, Ministry of Finance, the Chairman, C.W.I.N.C., the Chief Engineer, Hirakud Dam Project and the Chief Engineer, Central Public Works Department. It was decided to have a Central Accounts Office for the project as a whole from April 1949, by which time more than six Divisions were expected to be opened. It was also decided that in the case of the projects executed through the agency of the Commission, there should be a Financial Adviser attached to the Ministry of Finance with a Joint Financial Adviser attached to each big project. The latter will have under him an Accounts Officer who will be loaned by the Auditor-General, who will also have on the spot an Audit Office for concurrent audit under the supervision of an Accountant-General.

16. The sub-Committee note that it is stated in paragraph 5 of the Memorandum of Accounting Procedure for the Hirakud Project, that the project estimates framed by the C.W.I.N.C. in June, 1947 had received the administrative approval of the Orissa Government, and expenditure sanction to the works portion of the estimate, of which broad details had been shown, had also been accorded on the condition that each individual estimate is scrutinised and certified by the Financial Adviser and Chief Accounts Officer, Hirakud Dam Project, before technical sanction was given. Subject to this requirement, it was laid down that it was essential that sanction to an estimate should be accorded before a work was started, and communicated to the Financial Adviser and Chief Accounts Officer and the Residential Audit Office, before any bill was sent for payment. The sub-Committee would again point out that the project estimate framed by the C.W.I.N.C. in June 1947 did not contain anything more than statements of lump sums in the broadest outline contained in pages 323—331 of the Project Report. The figures contained in the abstract are no more than "guesstimates" i.e., based upon the roughest possible guesses, and can by no means be described as estimates; as they did not contain any details. For instance, under 'K-Building', there is a provision of Rs. 70 lakhs under three headings:

- 'Power houses—Rs. 50 lakhs.
- Switchyards—Rs. 10 lakhs.
- Quarters etc.—Rs. 10 lakhs.'

Under 'Power Generation', a lump sum of Rs. 10.50 crores is entered for generating plant. Under 'C-Works', an expenditure of Rs. 4 crores is distributed under five lump sums and so on. Apparently in their anxiety to get on with the rapid commencement and execution of the project, the Government of India and the Orissa Government adopted

the unusual procedure of according administrative approval and expenditure sanction to the project on the most meagre data as regards costs. From what the sub-Committee know, far greater detailed investigation is necessary into the financial prospects and costs of a project of this kind, before it is possible to arrive at a correct picture or to accept financial commitments of this magnitude. In the judgement of the sub-Committee, this is a very important factor which must be kept in mind in dealing with the excesses which have subsequently occurred over the original estimates. There were no original estimates worth the name. In any case, this abnormal procedure adopted by Government led to their inventing a special arrangement under which the local Chief Engineer who was in-charge of the project was required to obtain the concurrence of the Financial Adviser cum Chief Accounts Officer even in regard to matters which were within his delegated financial powers. Although this arrangement may have appeared, at the time it was made, to be a suitable one, it is quite obvious that it was an arrangement which was somewhat unfair both to the Chief Engineer and the Financial Adviser. Having regard to the fact that the Government of India launched upon this project with the full knowledge that the so-called estimates were nothing more than very rough guess work of costs, and having also decided to commence the project, it would have been far more satisfactory, if they had a wholetime Financial Adviser with authority to accord sanction on behalf of the Ministry of Finance. Instead of this, the Chief Accounts Officer was saddled with the functions of the Financial Adviser, without powers; the only powers he had were to offer his comments on proposals requiring the sanction of the Government of India and to agree to or to object to matters which were within the competence of the Chief Engineer himself in normal circumstances. The sub-Committee are not surprised that this provided ample opportunity for difficulties, misunderstandings and frictions. The Financial Adviser was not in a position to resolve differences, between his alter-ego, the Chief Accounts Officer and the Engineers.

The sub-Committee note that from the very commencement the intention was that there should be on the spot a Joint Financial Adviser in addition to a Chief Accounts Officer (vide also paragraph 8 of the minutes of the meeting of the 7th September 1948, at which Officers of the Government of India and the Auditor-General were present).

17. Pursuant to the above decision, a Chief Accounts Officer was appointed in March 1949 under the Ministry of Finance, but they did not appoint a separate Joint Financial Adviser locally as was recommended by the Conference referred to above. The Government of India designated the Chief Accounts Officer as Financial Adviser in addition. Although a quasi-Financial Adviser he was not given any

delegated authority to accord sanction to expenditure on behalf of the Government of India. The Chief Engineer was required to consult him in cases which were within his own powers of sanction before according the requisite sanction. This special restriction appears to have been necessitated by the fact that the Government of India had accorded their administrative approval to the project on the basis of a Project Report which contained no more than the broadest outline, and did not contain adequate details, as it is usual in the case of such projects.

18. It has been disclosed in the evidence before the sub-Committee that soon after his appointment, there occurred differences between the Engineers and the Financial Adviser and Chief Accounts Officer in regard to the correctness and payment of various bills. The sub-Committee have been told that the Financial Adviser and Chief Accounts Officer, while he did not generally withhold payments, raised a number of objections to the bills passed by the Engineers to the effect that there were no detailed sanctioned estimates for these. These objections continued to multiply in number and according to the Financial Adviser and Chief Accounts Officer, though payments were made by him, the objections were not cleared for a very long time. In several cases, sanctioned detailed estimates were forthcoming only after completion of the works. This statement has not been contested by the Engineers or the C.W. & P.C.

This state of affairs continued right up to the beginning of 1951 when the question of non-preparation of detailed estimates was once again brought to the forefront as a result of a Report submitted by the Accountant General, Orissa. The sub-Committee have shown in para. 16 above that the volume of irregularities grew to enormous proportions from April, 1951. In the meantime, a number of irregularities had also come to the notice of the Government. The Ministry of Finance, it appears, had been drawing the attention of the Ministry of Irrigation and Power to the various irregularities on references made by the Financial Adviser and Chief Accounts Officer.

It was decided by the Government in November, 1951 to appoint a Departmental Committee to enquire into the various questions relating to the Hirakud Dam Project including the irregularities which had occurred and the excesses over estimates etc.

The Committee consisted of:

- (i) Mr. G. M. McKelvie, I.S.E., Road Development Adviser and Joint Secretary to the Government of India, Ministry of Transport;

- (ii) Mr. P. C. Padhi, I.A. & A.S., Accountant-General;
- (iii) Mr. C. M. Bennett, I.S.E., Chief Engineer, P.W.D. Orissa
(Member-Secretary).

No Chairman was appointed by the Government for this Committee. Surprisingly, however, the emphasis in the Terms of Reference to the Committee was on the suitability and adequacy of the Accounts Organization and mechanism of the financial control prescribed for the Project rather than to the various irregularities themselves. Two Engineer Members of this Committee submitted an interim report in May 1952. A dissenting note was also submitted by Mr. Padhi, the other Member.

19. The sub-Committee propose first to deal with what they consider to be the major irregularity of executing works without the preparation and sanction of detailed estimates for an indefinite period of time. When the Chairman of the C.W. & P.C. was questioned on this point, he stated that he was unaware of these irregularities between March, 1949 and March, 1951, but the sub-Committee must draw attention to the fact that he was during this period constantly visiting the Hirakud Dam Project. The representative of the Ministry of Finance, on the other hand, stated that the Chairman of the C.W. & P.C. was fully aware of the position and that on numerous occasions, the former had personally drawn the latter's attention to these irregularities. This was denied by the Chairman, C.W. & P.C. The representative of the Ministry of Finance also referred to the proceedings of a meeting of the Contract Board held in October, 1949 at which attention was drawn to the emergency powers of the Engineers to carry on works without the detailed sanctioned estimates, following complaints made by the Financial Adviser and Chief Accounts Officer. The sub-Committee quote below extracts from the minutes of the above meeting:

* * * * *

During the further discussion on this subject, the Financial Adviser pointed out that the sub-Divisional Officers and the Executive Engineers enter into work orders for works without sanctioned estimate. He suggested certain restrictions on the powers of these officers to enter into work orders. It was decided that in urgent cases where works have to be started in anticipation of sanctioned estimates, a competent Authority should authorise the execution of works in writing as required in para. 58 of C.P.W.D. Code and work started on the basis of above authorisation. * * * * *

20. The sub-Committee after having weighed carefully the evidence on this point are inclined to hold that the Chairman of the C. W. & P. C. was aware of this state of affairs during this period. If it is argued that he did not know, then the conclusion will have to be that the Chairman, as the Head of the Organisation, as the Additional Secretary of the Ministry, and, as Consulting Engineer, who was going to Hirakud almost every month, failed in the very primary and

essential duty to inform himself about the fundamental points of control and efficient execution of works after duly sanctioned detailed estimates. In this connection, attention is invited to Paras. 1-3 of Office Memorandum No. DWII-1(10) dated 29th March, 1949 from the Ministry of Works, Mines and Power, reproduced below for ready reference:—

"Until further orders, the following procedure shall be followed in connection with the execution of all works relating to the Hirakud Dam Project:—

I. PREPARATION AND SANCTION OF DETAILED ESTIMATES CHARGEABLE TO THE PROJECT ESTIMATE

1. The detailed design, drawings and estimates of all works costing over Rs. two lakhs will be scrutinised in the Central Designs Organisation (C.D.O.) of C.W.I.N.C. and then put up for the approval of the Chairman, C.W.I.N.C. before sanction by competent authority.

2. For important works for which designs are to be prepared in the Central Designs Organisation, the Chief Engineer or the Superintending Engineer concerned will supply the necessary data for design to the C.D.O. The C.D.O. will prepare the drawings and will work out a detailed estimate and an abstract of quantities. The drawings, calculations and the detailed estimate will then be forwarded to the Chief Engineer after approval of the Chairman, C.W.I.N.C. The Chief Engineer will complete the abstract of cost after scrutinising the estimate and adding an appropriate Analysis of Rates.

3. Technical sanction will then be accorded by competent authority in accordance with paragraphs 68 to 75 of the Central P.W.D. Code, after certification by the Financial Adviser and Chief Accounts Officer, Hirakud Dam Project. A copy of the sanction will be supplied both to Audit and C.W.I.N.C."

21. In the statement given in paragraph 13, the sub-Committee have shown the number of works and expenditure incurred thereon from 1948-49 to 1952-53 (up to November 1952) without sanctioned detailed estimates. The expenditure so far incurred is of the order of Rs. 7.31 crores. From the figures obtained from the Accountant General, Orissa, the sub-Committee find that up to November 1952, expenditure on 590 of these works amounting to Rs. 4 $\frac{1}{2}$ crores still remains uncovered by sanctioned detailed estimates.

The details are as follows:

Year of commencement	No. of works commenced	Expenditure to end of November 1952
		Rs.
1948-49	6	1,44,119
1949-50	38	31,31,189
1950-51	61	69,07,390
1951-52	266	3,07,13,355
1952-53 (to Nov. 1952)	219	65,81,744
TOTAL	590	4,74,77,797

Thus, out of an expenditure of Rs. 7.31 crores incurred irregularly without sanctioned estimates, Rs. 4 $\frac{1}{2}$ crores remain still to be regularized. The sub-Committee must emphasise in this connection that the sanctioning of detailed estimates after expenditure has been incurred without regularly sanctioned estimates is somewhat a meaningless ritual and does not achieve the object of securing financial control. At best, it is only a condonation of a highly irregular and most undesirable procedure.

The very purpose of having detailed estimates sanctioned before execution is to enable the Government to know precisely its commitments and for the Executive authorities to know precisely what they are expected to do and the expenditure which they may incur. Relaxation of this principle is recognized only in the most emergent circumstances when the execution of work cannot be held up pending the preparation of detailed estimates and their sanction, for instance, when there is a breach or a flood or a calamity such as earthquake and so on. The sub-Committee do not see any justification for adopting such emergent procedure for an indefinite period of time in the construction of a barrage or dam which should be carefully planned and designed well in advance of its execution.

It will also be noted that the number of works executed after the preparation of detailed estimates etc. was 908 and amounted only to Rs. 1.2 crores which is a very small proportion of the total.

22. The sub-Committee went in detail into the causes for the non-preparation of detailed estimates well in advance of the execution of works. According to the Ministry of Irrigation and Power, the designs were to be prepared by the C.W. & P.C. and all estimates above Rs. 2 lakhs were to be approved by the same authority. The Chairman of the C.W. & P.C. stated that since the work of preparing the designs had been taken over by the Commission, he was not much worried about the detailed sanctioned estimates. The question then arises that when detailed estimates were such an easy matter to prepare, once the designs had been finalised by the C.W. & P.C., why were these detailed estimates not available before the execution of works to the Financial Adviser and Chief Accounts Officer as well as to the Engineers to enable them to keep a proper check on the expenditure. The sub-Committee, therefore, asked for information regarding the dates on which various designs were prepared. The C.W. & P.C. have submitted two design books, one prepared by the International Engineering Company in November, 1948 and the other prepared by the C.W. & P.C. in 1951. The sub-Committee further understand that the designs prepared by the International Engineering Company were not meant for the actual execution of works. The earliest design in the second book which has been submitted by the C.W. & P.C. is dated April, 1951. The sub-Committee are impelled

to come to the conclusion that the principal reason why all these rules and instructions in regard to sanctioned detailed estimates before execution could not be followed was that the finalised designs of the major works under execution had not been prepared and approved by the C.W. & P.C. well in time. The responsibility for failure to give finalised designs well in advance and to submit detailed sanctioned estimates in regard to all major works costing over Rs. 2 lakhs must rest with the C.W. & P.C. The C.W. & P.C. must also be held ultimately responsible for the large scale execution of works without sanctioned detailed estimates.

23. Works Abstract Registers.—The sub-Committee also called for the special Register of sanctioned estimates required to be maintained by the Chief Engineer and the C.W. & P.C. in respect of the Hirakud Dam Project. From a reference to the Register bearing No. IV, they find that it does not contain any postings of individual estimates sanctioned by a competent authority as required by para. 4 of Appendix III of the Accounting Memorandum. The failure to maintain these registers is a natural sequel to the disregard of rules regarding estimates.

III

STORES

24. The magnitude of the stores required by the Hirakud Project is enormous. In this connection, attention is invited to paragraph 13 of Chapter II of this Report. It is elementary that whenever stores and stock have to be maintained, there must be adequate arrangements not only for the storage and caretaking of such stores, but also for the maintenance of initial accounts of receipts, issues, and balances in such manner and in accordance with the established procedure, in order to obviate the risks of losses to the State through negligence, or fraud etc., at any stage. In the case of the Hirakud Dam Project, towards the end of 1948, Shri A. S. Bhalla, the Accounts Officer of the C.W.I.N.C., reported that the preparation of stock and heavy equipment accounts, and their incorporation in the divisional accounts showing *inter alia* their issues to the works had not been attended to practically from the formation of the Stores Division, and that the general charges of handling stores and the reconditioning of heavy equipment obtained from the Disposals Directorate had not been adjusted. His report disclosed a disquieting state of affairs in regard to the Accounts of stores and stock. A beginning is understood to have been made at that time to improve the state of the Stores Accounts of some of the Divisions, but from what has been disclosed up-to-date to the sub-Committee, the Stores Accounts continue to be in an extremely unsatisfactory state. It may be pointed out that the procedure to be followed in regard to the Stores Accounts was as prescribed in the Central Public Works Department Code and the Central Public Works Account Code. This has been made clear in the Memorandum of Accounting Procedure for the Hirakud Project (*vide* paragraph 39 of that Memorandum).

25. The sub-Committee note that the C.W. & P.C. failed to take any effective action towards the enforcement of the Codal rules in this regard even after the unsatisfactory state of affairs had been brought to their notice by the Accounts Officer attached to their Office in November, 1948. The sub-Committee consider that disregard of the recognised rules in the preparation of proper store and stock accounts is open to all sorts of malpractices as such a course is bound to lead to fictitious stock adjustments at a later stage. The sub-Committee regret to note that no disciplinary action had so far been taken by the Commission against the delinquent Officers for the non-observance of the rules.

26. The sub-Committee examined Mr. G. M. McKelvie, a Member of the Departmental Committee, which looked into the affairs of Hirakud Dam Project and went into the Stores Accounts. Mr. McKelvie, while stating that when he visited Hirakud, the stores

were kept in proper bins and seemed to be well maintained, admitted that even at that time there were about 25 per cent. of the stores whose physical check had not been completed. He also admitted that at that time there were no priced-ledgers. He, however, felt that at least the taking of physical count would put a check on future losses and leakages. Mr. McKelvie, proceeding further, referred to lack of staff, which in his opinion, was the principal cause of Accounts not being maintained or stores not being properly classified and arranged. It has come to the notice of the sub-Committee that the first demand for staff was made by the Engineering authorities at Hirakud only in December, 1949. The proposal was actually forwarded to the C.W.I.N.C. in the middle of April, 1950 who in turn forwarded it to the Government of India for sanction, which was accorded on the 18th July 1950. No explanation was given either by the Engineers or by Mr. McKelvie as to the reason for failure to ask for necessary staff to maintain the Stores Accounts well in advance.

Mr. McKelvie also referred to the procedure regarding issue of stores. He suggested that under the procedure prescribed for issue of stores at Hirakud, it was necessary to get the acceptance of the indentor in respect of the stores supplied to him. He admitted that the acceptances were not obtained from the indentor and that, therefore, the debits against the works were not raised. To a pointed question which the sub-Committee asked as to who was responsible for not getting the acknowledgements for stores issued, the present Chief Engineer replied that according to the system in vogue, it was never insisted. The implication is that it was a defect of the system and not any failure on the part of any individual officer. The sub-Committee find that the stores-accounting rules prescribed for the Hirakud Project are substantially the same as those which are prescribed in the Public Works Account Code, and they require the Officer receiving the stores to return the Invoice with his acceptance. The sub-Committee, are, therefore, surprised to note that neither Mr. McKelvie nor even the present Chief Engineer at Hirakud has properly understood the implications of the system of Accounting contained in the Hirakud Accounting Memorandum regarding stores.

27. The system that was prescribed for Hirakud may be briefly described. It was based on the conception that for purposes of stores-accounting and organisation, there should be a Central Stores under the charge of an Executive Engineer with one or more sub-Divisions under him. The Works Divisions were not to be allowed to buy, hold or indent for any stores on Stock Account except building material. All the Divisions were required to indent on the Central Stores on P.W. Form No. 7 in triplicate, showing all the

information required by that form, and in particular, the name of the work for which the stores were required. One copy of the indent was to be returned to the indentor along with the stores, while the second copy was to be priced in the Divisional Office and forwarded to the Indentor for acceptance and return to the Stores Depot after noting the price in the Account of the work concerned. The Executive Engineer of the Stores Division was required to have Bin Cards in the godown and Priced Ledgers in his own Office. He was to prepare a monthly statement of receipts and issues in Public Works Account Form Nos. 9 and 10 and send them to the Financial Adviser and Chief Accounts Officer. The latter would make the necessary adjustment in the Central Accounts between Stock Account and the Accounts of Works.

The sub-Committee find that there is no deviation of principle from the regular P.W.D. procedure in regard to Stores Accounts. They are unable to appreciate in what respect this procedure was likely to cause trouble or why there should be any opposition at all, as there actually was, to the procedure on the ground that it required the indentor to mention the name of the work against which the stores were required. This point seems to have been raised in controversy and pending settlement of the controversy, the prescribed procedure was not followed. It is, in the sub-Committee's opinion, a very serious thing that an Officer was allowed to disregard the authorised procedure merely because he personally did not agree with some particular aspect of the procedure. The Stores Division was allowed to get into such a disorganised state that nobody ever took the trouble of complying with the authorised procedure and of maintaining the required records or pricing the stores or keeping the priced ledgers or the Bin Cards. According to the then Chief Engineer, Shri Vasishth, there was really nothing wrong with the Stores Accounting system as such. What was wrong was that the Superintending Engineer and the Executive Engineer, for reasons of prestige, which are inscrutable, did not want to work the system laid down in the Hirakud Accounting Memorandum. In fact, all kinds of difficulties, real and imaginary, were raised and when they were all met one by one, one of the Superintending Engineers is reported to have said that he would rather go on leave than work any system introduced under the auspices of the Financial Adviser and Chief Accounts Officer. When all his points were met, he is reported to have raised difficulty on the ground of want of adequate staff. The then Chief Engineer said that he suggested that they might temporarily engage work-charged establishment pending sanction to regular establishment, but according to him, the Engineers would not accept his suggestion until they scored their own point, namely, that the stores were to be issued not against individual works but to each

Division against Divisional Stock Account. The absence of estimates is perhaps a reason for their objection to show the issues straight to works and for requiring a Stock Account for each Division. The sub-Committee are informed that at present stores are being issued from the Central Stores not to individual works but to the other Divisions for stock. They consider that this is an objectionable practice as no control is possible on the reasonableness or necessity of the indents when the indents themselves do not show the name of the individual work for which the stores are required. The practice is likely to facilitate grave abuses and ought to be stopped if it has not already been stopped. The sub-Committee are not impressed with the argument that the procedure requires the preparation of a large form as required by the P.W.A.C. (Form No. 10). This is one of the regularly prescribed forms in a Public Works Division and the sub-Committee see no reason for allowing deviations from the authorised procedure.

28. The sub-Committee also understand that there has been inordinate delay in fixing the prices of stores. They cannot appreciate the difficulties that were in the way of fixing the prices of stores. Quite obviously, they have all been paid for, and if proper Accounts had been kept in the Stores Division of the Invoices and Bills which had been paid or accepted, there should have been no difficulty in fixing the prices of stores. Undoubtedly, the work of pricing the stores was neglected. The consequence was that debits against works could not be raised for very long periods and, therefore, the Accounts of works were incomplete and unreliable. In short, there was no control over the consumption of stores on the works.

29. The sub-Committee feel that action should be taken against the persons who are responsible for flouting the prescribed procedure and neglecting to do their duty. The sub-Committee are not convinced that want of staff was the main reason for non-observance of the prescribed procedure. Failure *ab initio* to make proper arrangements for the storing and accounting of stores worth crores of rupees was an extremely bad start. As pointed out by the then Chief Engineer, he gave his Divisional Engineer permission, whether rightly or wrongly, to engage work-charged establishment temporarily, pending application for formal regular establishment, and it was open to the Engineer concerned, if he was so minded, to utilise this permission. The ground balances were reported to have been taken some time in 1951. Up to date, the Priced Ledgers have not been opened. The sub-Committee fail to understand why such inordinate delays should have been allowed to occur. The present position is so unsatisfactory that it will take many months to set right the Accounts and to verify whether all the balances that ought to be there, are there.

30. It seems to the sub-Committee that criticism of the system which had not been worked at all is unfair. Mr. McKelvie referred to a very big statement, the preparation of which was required under the system. He said that it is an impossibly long statement and would cause great difficulty. The sub-Committee are unable to appreciate his point. The statement referred to by him is one prescribed by the Central P.W.A. Code and was not an innovation by the Financial Adviser and Chief Accounts Officer or the Government. The criticism of the form is, in the opinion of the sub-Committee, merely an attempt to justify the deliberate negligence of Officers. The sub-Committee have not been shown any papers by the Ministry of Irrigation and Power to prove that it was the difficulty of maintaining this form that was objected to by the Executive Engineer (Stores).

31. The sub-Committee understood from the ex-Chief Engineer, Hirakud Dam Project (Shri Vasishth) that the then two Superintending Engineers working under him were hostile to the system of store-accounting. It would be relevant to reproduce the following passage from the papers placed before them by Shri Vasishth:

"The Financial Adviser and Chief Accounts Officer wanted stores accounts of most items (except principal buildings materials) to be kept in one Stores Division treating the Project as one unit since he had found this system more convenient for a project like this in the light of his experience at the Mettur Dam Project. The Superintending Engineers, however, would not accept this system and so there was no genuine response to follow it. Eventually the Superintending Engineers gave a definite undertaking that if the usual P.W.D. system of keeping stock accounts by treating each Division as a separate unit was adopted, they would ensure submission of monthly accounts. This was promised by them to score their point, but the accounts, I understand, are still not submitted regularly or maintained properly."

Shri Vasishth further admitted before the sub-Committee that the procedure laid down for the Central Stores Organisation in the Accounting Memorandum had not been followed.

32. The sub-Committee are surprised that indents for huge quantities of stores were placed by C.W. & P.C. and the Hirakud Dam Project authorities without first building a nucleus organisation manned by trained stores personnel for the purpose and without making accommodation arrangements. The sub-Committee observe that the chaotic state of affairs of Stores Accounts could have been avoided if the Commission had worked out a proper plan. The sub-Committee recommended that the question of apportioning responsibility between the various officers who have been responsible for the non-observance of the Stores-Accounting rules and not organising a proper set-up should be taken up by Government immediately.

33. Even after a lapse of 4 years, the matter has not been set right. The Chief Engineer informed the sub-Committee that the numbering of Bin Cards had been practically completed after physical verification of the existing ground balances. The opening of ledgers, he stated, was being delayed on account of non-availability of loose-sheets. The sub-Committee note that even though more than a year ago the 'McKelvie Committee' held that the work of opening priced-ledgers was in hand, the position today remains just the same. The sub-Committee are unconvinced of this explanation and desire that such an important work should not be further delayed merely because of the ledger-sheets. They recommend that in case it is not possible to have the sheets printed through the Controller of Printing and Stationery in time, Government should sanction local purchase as any amount spent in this behalf is likely to yield benefits to the Project as a whole and prevent frauds or misuse of stores etc.

34. The sub-Committee desire that the entire job of opening ledgers for all categories of stores, viz., those imported from abroad, those purchased locally and those indented through the Directorate General, Supplies and Disposals should be completed by the end of the current year and the Stores found surplus should be disposed of. A report stating the action taken in the matter should be submitted to the Public Accounts Committee.

35. The sub-Committee strongly feel that the rules regarding the accounting of stores as laid down in the C.P.W.A. Code and as supplemented by the Hirakud Dam Accounting Rules should be rigidly enforced and no deviation from the prescribed procedure permitted.

36. From the statement showing the nomenclature of principal items of stores and approximate cost thereof which are lying in stock at present with the Hirakud Dam Project authorities and which may not be required for the next two years, called for by the sub-Committee, it is noticed that such stores of the value of about Rs. 10 lakhs are lying in stock. The sub-Committee recommend that the question of transferring the stores to other project administrations should be taken up immediately to avoid deterioration and consequent loss.

37. The sub-Committee also deprecate the tendency of accumulating stores which are not likely to be required on the Project in the next few years. They desire that stock-verification of such stores should be done immediately and a statement showing the price thereof prepared and got verified by the Financial Adviser and Chief Accounts Officer..

38. Similarly, stock-taking of all stores rendered surplus should be taken and their values assessed periodically. In case, the stores are not likely to be utilized in the near future, action to dispose them off according to the rules may be taken in order to avoid further losses on account of wear and tear.

39. The sub-Committee also consider that in order to prevent the expenditure on the Project being inflated, the reserve limit for stocking various categories of stores should be fixed in consultation with the Accounts authorities. The whole system for purchasing and stocking stores should be rationalised so as to eliminate unproductive expenditure and loss.

IV

NUGATORY EXPENDITURE, ABANDONMENT OF THE SUB-SIDIARY DAM, EXCESS OVER ESTIMATES AND REVISION IN THE SCOPE OF THE PROJECT

I. NUGATORY EXPENDITURE

40. The Chairman, C.W. & P.C. and the Chief Engineer, Hirakud Dam Project categorically stated before the sub-Committee that they were satisfied that no money had been spent which could be regarded as "infructuous expenditure". They assured the sub-Committee that barring a few irregularities here and there, whatever money had been spent, they had got full value for that. The sub-Committee regret to state that this statement is contradicted by the following cases which, apart from the other irregularities and wasteful or irregular expenditure, indicate that a sum of about Rs. 1.40 crores had been spent by the Hirakud Dam Project authorities which can be treated as 'nugatory expenditure'.

41. **Abandonment of the Navigation-cum-Power Channel and the Subsidiary Dam.**—The Hirakud Dam Project consisted of a Dam across the Mahanadi with gravity and lift canals for irrigation taking off from the reservoir on either side and hydro-electric installation. The Project provided for the construction of two Power Houses, one at the base of the main Dam on the right side, and, another 14 miles downstream at the outfall of a small tributary. Water to the extent of about 9,000 cusecs was expected to pass through Power House No. 1 at the main dam and was to be carried through a canal called the Power Channel to a subsidiary reservoir for generation of Power at Power House No. 2 with a total fall of 75 ft. The Power Channel was expected to serve also as a navigation canal.

It follows from what has been said above that the subsidiary reservoir for feeding Power House No. 2 was itself to be fed with regulated supplies of water from Power House No. 1 situated at the main dam. The main dam should, therefore, have had priority over the subsidiary dam. It is observed, however, that the Advisory Committee had stated in 1948 that it would be possible to generate power at Power House No. 2 even before the main reservoir was fully formed. Even so, it is presumed that adequate progress should have been made on the main dam and Power House No. 1 in order to secure a regulated and constant supply of water to the subsidiary reservoir. Further, the flow of water in the Mahanadi river during the dry season is at times as low as 200 cusecs which in the absence of the main reservoir would be totally inadequate for the subsidiary reservoir even if the whole of it was diverted. As regards flood season, a regulated supply of water to the subsidiary dam, which would not be so much in

excess of what is required as to damage the channel or the subsidiary reservoir could obviously be secured only when adequate progress had been made on the main reservoir so that a well-regulated supply could be diverted to the subsidiary reservoir without any risk. Whatever may be the validity or otherwise of these views, the sub-Committee note that the C.W. & P.C. decided to give the highest priority to the subsidiary dam ignoring the recommendation of the Advisory Committee of 1948 that the progress on the two dams must be almost simultaneous. The reasons for this deviation were that it was important to develop a market for power by its early generation at Power House No. 2. After an expenditure of Rs. 1.40 crores had been incurred upon the subsidiary dam and the Power Channel, and a sum of Rs. 52 lakhs had been spent on electrical plant and machinery, the project was abandoned in 1951. Even here, by treating the works on an emergency basis, the Engineers waived the application of all kinds of normal financial and accounting rules in regard to sanctioned estimates before expenditure was incurred.

42. The reasons for abandoning the works in 1951 were that the Planning Commission decided on the advice and with the concurrence of the C.W. & P.C. that flood protection and flood control should have priority over power generation at the subsidiary dam. An expenditure of Rs. 1,50,000 was sanctioned for protecting the incomplete works from damage. In this connection, the sub-Committee came across during their visit to the site of the dam an unfinished bridge on the Sambalpur-Bargarh road which consisted of two abutments and a pier which formed part of the work connected with the subsidiary dam. An expenditure of Rs. 2½ lakhs has been incurred on the bridge across a Power Channel which had not yet been constructed. Even assuming that the Power Channel had come into existence, there was scarcely any necessity or urgency for the construction of the bridge. The Chief Engineer, Hirakud Dam Project admitted before the sub-Committee that soon after he joined the Project, he saw the futility of the bridge and had ordered the stoppage of further work on it.

43. The sub-Committee have regretfully to come to the conclusion that there has been an error of judgment in giving priority to the construction of the subsidiary dam and the second Power House and other ancillaries over the main dam. It is difficult to avoid one or the other of the following conclusions:

- (i) the anticipations regarding the early marketability and necessity of power were incorrect; and/or
- (ii) the anticipation that it would be feasible to proceed with the subsidiary dam, Power House No. 2 and other

ancillaries as emergent works capable of construction and operation before adequate progress was made on the main dam proved to be unsound and incorrect from a practical point of view; and/or

- (iii) the Government of India apparently did not plan the commencement and execution of various works in proper sequence keeping in view the limitations on the financial resources of the country, for it has been stated that financial considerations compelled priority being given to the main dam and the abandonment or suspension of work on the subsidiary dam on which so large an expenditure as nearly Rs. 1.92 crores had been incurred on works, plant and machinery.

If the commencement of the work on the Subsidiary Dam, Power Channel, plant and machinery for second Power House No. 2 was correct, the abandonment of this work on financial grounds could scarcely be justified. The sub-Committee cannot believe that financial considerations would have been permitted to result in so much of infructuous expenditure and must conclude that the scheme was technically and economically unsound right from the beginning.

44. After having seen the site of the subsidiary dam, the sub-Committee desire that action should be taken at the commencement of the next monsoon for the turfing of both sides of earthen subsidiary dam to avoid any serious damage being caused to them. In view of the fact that this part of the Project is not likely to be taken up during the next few years, the sub-Committee suggest that the question of dismantling the Railway track, linking up the site of the Subsidiary Dam, which runs into several miles may also be considered as the amount involved in its construction as also its subsequent maintenance is not likely to prove commensurate in the long run.

II. AERIAL ROPEWAY

45. For the concreting of the reinforced concrete spans of the Mahanadi Bridge, an experiment of putting an aerial ropeway across for pouring the concrete was made by a Superintending Engineer responsible for the construction of the Bridge. The ropeway was purchased at the cost of about Rs. 30,000 and stanchions were erected for the purpose. But ultimately, the idea of using the ropeway had to be given up for lack of availability of the 'requisite suitable material'. The sub-Committee fail to understand why the Engineer responsible for this experiment could not pre-arrange for the 'requisite material' before indenting the ropeway. They feel that the Engineer himself was not sure of the practical utility of the ropeway.

III. EXCESS OVER ESTIMATES

46. Rail-Road Bridge across Mahanadi.—The construction of a bridge across the Mahanadi was part of the programme for the construction of National Highway No. 6 from Calcutta to Bombay passing through Sambalpur. The Railway Board also desired the rail-road bridge across the Mahanadi for connection with their proposed Sambalpur-Titlagarh Railway line. Incidentally, the early initiation and construction of this bridge was also of immense utility in the construction of the Hirakud Dam Project by facilitating the transport of heavy plant and machinery across the Mahanadi River. It was, therefore, only proper for the Government of India to advance the date of construction of this bridge which figured in any case in their programme of the National Highways and Railway expansion.

Instead of entrusting the construction of the bridge to the State Government as part of the National Highway Project, the Ministry of Transport entrusted the construction to the Hirakud Dam Project authorities, which in itself is not objectionable. Here again, the sub-Committee find that although the Ministry of Transport provided the Project authorities with detailed drawings and specifications, the detailed estimates did not receive financial and technical sanction of the competent authority until June 1950, that is, just two months before the completion of the bridge. A greater part of the expenditure was thus incurred in the absence of proper financial sanction and approved detailed estimates. The sub-Committee regard this as most unsatisfactory.

47. The detailed estimate as approved by the Roads Organisation of the Ministry of Transport was Rs. 42.67 lakhs in June, 1950. The final Account of this project is not yet available owing to the failure of the construction authorities in maintaining the initial accounts including the relevant account of stores utilised on the project. The Ministry of Finance have, however, computed the costs on the basis of the actual issue of material and employment of labour, etc., and the sub-Committee find that there is an excess outlay on this bridge as follows:—

	Rs.
Excess Cement and steel	... 1,93,467
Excess labour	... 16,39,201
Excess Aerial Ropeway	... 30,000
TOTAL	... 18,62,668

The sub-Committee regret to observe that although a period of 2½ years has elapsed since the bridge was completed, the Engineering authorities have not yet finalised the Accounts of the bridge nor regularised the excessive expenditure. In his evidence before the sub-Committee, the Chief Engineer could not explain the reason why the revised estimates or the Completion Report had not yet been got ready even after such a long interval. After careful consideration and examination of witnesses, the sub-Committee have come to the conclusion that the Hirakud Engineering authorities must be held responsible for—

- (a) incurring expenditure without sanction of the estimates;
- (b) heavy excess over the estimate sanctioned just before the completion of the project; and
- (c) the failure to maintain the relevant initial accounts for which the responsibility clearly rests upon the Engineering authorities.

In this connection, the sub-Committee are of the view that no part of the cost of this bridge should be debited to the Hirakud Dam Project merely on the score that it was constructed somewhat in advance of the date on which it should have been completed. For this reason, the share of the Railways should also be borne by the Ministry of Transport until General Revenues are relieved of that charge by transfer of debit to the Railways in due course.

48. The sub-Committee consider it to be a matter of great importance that the Accounts of this bridge should be gone into by a team consisting of an independent Bridge Engineer drawn from Madras or Bombay or Hyderabad States and a special Accounts Officer with a view to ensuring that the cost of the Hirakud Project is not inflated by any process of incorrect accounting.

The sub-Committee consider that it was scarcely appropriate that Mr. G. M. McKelvie who, as the Road Development Adviser and Joint Secretary of the Ministry of Transport, was responsible for approving the design and estimate of the bridge, should have been asked to adjudicate on the excesses and their causes.

IV. REVISION IN THE SCOPE OF THE PROJ.

49. **Irrigation in the delta area.**—The sub-Committee formed that in order to develop irrigation in the delta area, the scheme was dependent to a great extent on the amount of water afforded, the reservoir level of RL +625·0 as origin being not be adequate. On the other hand, the final

+630·0 will give almost complete flood protection to the delta area. Thus it has been decided to build the main dam upto +630 FRL. This increase in the height of the dam has consequently resulted in increasing the estimated expenditure. The sub-Committee regret to note that framers of the Project report could not visualise this technical difficulty.

V. NAVIGATION

50. Navigation was one of the purposes of the project though it was only of a subsidiary nature. The original Project Report provided for it. Navigation channel and navigation locks were also provided in that Report and the piers and abutments of bridge on the Power Channel were constructed at such height as would facilitate navigation.

The Chairman of the C.W. & P.C. asked some French Naval Engineers who were on a visit to India to examine the feasibility of this part of the Project. An expenditure of Rs. 50,000 was incurred by the Government on this account. They were taken round by the Chairman himself to the mouth of the Mahanadi River and to the proposed port of Dhamra. They did not approve of the idea of developing Dhamra as a port, though they suggested that there was some chance of providing navigation facilities at the mouth of Mahanadi river near Paradip — in respect of which they reserved their final opinion.

51. From a reference to the records of the Commission, it appears that the French Engineers' Report was in the hands of the C.W. & P.C. in August, 1951. But from para. 2.9 of the Report of the Mazumdar Committee, 1952, it appears that this Report was not placed before them. It is surprising that even the Government were not aware of this report till after six months of its submission to the C.W. & P.C.

52. The sub-Committee suggest that profiting from the past experience, the Commission should carefully study the implications of the various recommendations made in the above Report both in respect of expenditure and the returns and its ultimate effect on the economics of the Project as a whole.

VI. BUILDINGS

53. The project estimate provided for about Rs. 50 lakhs for the construction of buildings on the Project. According to the latest figures, buildings seems to have cost the project nearly Rs. 2 crores i.e., about four times the original estimate. The sub-Committee

understand that even then there is paucity of residential quarters for the employees, mostly the non-gazetted and lower grade staff.

The sub-Committee note from para. 6.11 read with page 47 of the Mazumdar Committee Report, 1952 that an additional provision of Rs. 10 lakhs under the head 'Building' has been included in the Revised Estimate of Rs. 92.08 crores.

The principal reason why the cost on buildings has gone up so much is that an unusually large number of permanent structures have been put up. For example, at Hirakud and Burla, there are two double-storeyed Rest Houses. Similarly at Bargarh, the Headquarters of one of the Canal Divisions, although there exist Inspection and Dak Bungalows and Civil Hospital, almost a self-contained small township has been built by C.W. & P.C.

The sub-Committee do not view with favour the construction of permanent buildings to house the gazetted staff free of rent. Semi-permanent and temporary buildings could have well served the purpose during the period of construction.

The sub-Committee observe that had the detailed estimates been available well in advance, it might have been possible both for the Engineers as well as the Accounts Officer and the Ministry to keep a proper check over the mounting expenditure in this behalf.

VII. MAIN DAM

54. The sub-Committee have reasons to fear that the expenditure on the main dam is going to be appreciably higher than the estimates.

For example, on the right side of the dam, a very big batching plant costing about Rs. 12.64 lakhs has been installed. The sub-Committee were given to understand that this costly machine is able to work for two hours a day only and this has naturally increased the cost of the mixed cement concrete material being used on this dam. A preliminary estimate shows that cement concrete section of the dam is going to cost Rs. 170 per 100 c.ft. The sub-Committee have been informed that the masonry construction elsewhere has cost between Rs. 100 and Rs. 130 per 100 c.ft. The provision made in the estimates is also on the low side. Such instances can be multiplied, but, the sub-Committee refrain from doing so.

SOME FINANCIAL IRREGULARITIES

I. PURCHASE OF SLEEPERS FROM PUNJAB

55. In October, 1950, there was a need for sleepers in large quantities at Hirakud Dam Project. The Sleeper Pool was not able to meet the full requirements. A Superintending Engineer arranged the supply of 24,000 deodar sleepers from the Punjab in two lots, one lot consisting of 14,000 was purchased on 'select basis', and the second lot of 10,000 was purchased on 'Samudha basis' (i.e., 'bulk timber').

56. The contract was placed by the Executive Engineer, Stores, Hirakud Dam Project with one Shri Jawaharlal Bhalla, Timber Merchant, Abdullapore—Jagadhri (Punjab) under instructions of the Superintending Engineer, Subsidiary Dam and Canals Circle, Hirakud (Shri S. N. Kapur) in contravention of the provisions of para. 89 of the Central Public Works Department Code. The Superintending Engineer, who was not competent to sanction the contract on the basis of limited negotiations, neither consulted the Financial Adviser and Chief Accounts Officer, Hirakud Dam Project nor did he obtain the approval of the Chief Engineer, who was the competent authority to sanction the purchase. In order to bring the purchase which amounted to Rs. 3.7 lakhs within his powers and to circumvent the codal rules, the Superintending Engineer split up the requirements into four driblets (as he was competent to sanction works only upto Rs. 2 lakhs). According to the Annexure to Appendix III of the Memorandum of Accounting Procedure for the Hirakud Dam Project issued by the Ministry of Finance, the 'purchase of sleepers' should be treated as 'purchase of stores' and not the 'execution of work'. The sleepers were taken on to stock in the Stores Division and issued as 'stores'. The Superintending Engineer, however, during the course of his examination maintained that the supply should be treated as the 'execution of work'.

57. The sub-Committee have examined the Engineers responsible for placing the contract as also the Conservator of Forests, Punjab, who had been associated with this deal from the very outset. The Inspector-General of Forests, Ministry of Food & Agriculture, Government of India was also examined.

58. The sub-Committee noticed grave irregularities in the purchase of the sleepers. They observe that the sleepers as provided by the Forest Department are normally in lots and these are selected in lots, the purchaser having a right to reject a minimum quantity in each lot. The rejection of pieces which are broken or damaged does not amount to selection. It is only when any particular size

is selected and the rest rejected that selection comes in justifying the payment of higher rates. In this particular case, having regard to the fact that these sleepers were required only for temporary trolley lines as well as some Railway lines, no selection was required and 'Samudha' was admittedly sufficient for the purpose.

59. The Hirakud Dam Project authorities stated that the following considerations weighed with them in resorting to the purchase of sleepers from the Punjab:

- (i) deodar sleepers from the Punjab were cheaper than the sal sleepers if purchased from the Sleeper Pool Control; and
- (ii) the sleepers were urgently required as the construction work on the subsidiary dam was being considerably hampered.

They further stated that the payment of the extra price of 25 per cent. on the first lot was justified on the ground that the Punjab Forest Department had made it clear that 'Samudha' timber would not suit the requirements of the Hirakud Authorities and that it might not conform to their specifications.

60. From a reference to the purchase order issued by the Executive Engineer, Stores Division, Hirakud to Shri Jawaharlal Bhalla on the 5th January, 1951, it was noticed that the first lot of 14,000 sleepers for which 'select price' was paid consisted of the following sizes:—

$10' \times 10'' \times 5''$... 7,000
$10' \times 8'' \times 5''$... 7,000

(The standard size of the sleepers which is used on the B.G. Railway Track is $10' \times 10'' \times 5''$.)

From the correspondence exchanged between the then Superintending Engineer, Subsidiary Dam and Canals Circle, Hirakud, Dam Project and the Conservator of Forests, Punjab, it appears that at no stage had it been mentioned that the supply was intended to be on a 'select basis'.

All that he had stated was as follows:—

"I am in need of 24,000 sleepers 9' long $\times 10'' \times 5''$. I would even accept, if need be 3' pieces of $10'' \times 5''$. These sleepers should be in deodar and are actually required for construction of Railway line. Normally I should have taken up this matter with the Sleeper Pool but as I need a very large number even for building purposes I propose to use them temporarily on the Railway line and later for building purposes."

Thus it is clear that the purchase was intended to be a 'Samudha' one and sleepers of standard size were not asked for.

61. According to item (ii) of the Note appended to the Punjab Forest Department schedule of rates for the supply of timber and baulies to Government Departments, both Provincial and Central, when timber of any particular size was purchased, 25 per cent. extra would be paid provided the rejections in selection did not exceed 20 per cent. of the timber of that particular size. There is no evidence to show that this lot of 14,000 sleepers was obtained on a 'select basis' and yet a premium of 25 per cent. extra was paid. The sub-Committee have no evidence of any rejection of any particular sleeper from the Measurement Books. By merely recording the sizes in the Purchase Order which was made out and placed after inspection at Abdullapore (Jagadhri), a higher rate became payable and had to be paid. The sub-Committee are of the view that an extra payment to the tune of Rs. 62,266 was made which could have been completely avoided.

In this connection, the sub-Committee also quote below an extract of the remarks of the Inspector-General of Forests, Ministry of Food and Agriculture on this deal as communicated to them by the Ministry of Irrigation and Power:

"Unless he had some very good reasons, it is difficult to escape the conclusion that *Shri Sunder Singh forced on the Hirakud authorities the supply of 14,000 (out of 24,000) sleepers in 'select' instead of 'bulk' timber. What is even worse is the manner in which Shri Kapoor acquiesced in the acceptance of 14,000 selected sleepers. Having pointed out times out of number that he needed, 'bulk' timber only. I should have expected him to refuse to be a party to this sharp sale. There is not even a protest. Surely, the Hirakud Engineers knew what they wanted. After all, the other 10,000 sleepers were supplied in 'bulk' timber."

It will also be relevant here to mention that by the time, these deodar sleepers actually arrived, sal sleepers were also received from the Eastern Group Sleeper Control which were enough to meet the requirements of construction on the subsidiary dam.

62. In this connection, it is interesting to mention that the Financial Adviser and Chief Accounts Officer had objected to the payment of advance travelling allowance to the Executive Engineer (Stores) for his journey to Jagadhri (Punjab) on the ground that the journey was for a purpose which had not received the requisite sanction. This objection appears to have created a good deal of controversy between the Engineering authorities and the Financial Adviser and Chief Accounts Officer. The Engineers received the support of the C.W. & P.C. The Financial Adviser and Chief Accounts Officer also objected to the price paid.

The sub-Committee note that the contractor stated in his offer that he had in stock only 19,800 sleepers and yet 24,000 are stated to have been supplied by him. This is significant. It has also come

* He was the Conservator of Forests, Punjab, through whom the deal was negotiated.

to the notice of the sub-Committee that the Superintending Engineer in putting through this deal, did not consult the Chief Conservator of Forests, Punjab, but instead contacted a subordinate officer—the Conservator of Forests.

63. The Hirakud Dam Project authorities claimed in the course of their examination by the sub-Committee that they had actually saved Government a sum of Rs. 45,207 by the purchase of deodar sleepers instead of a corresponding quantity of sal-wood sleepers locally, and they endeavoured to support this by submitting a comparative statement showing the net saving made in the purchase of deodar sleepers through the Conservator of Forests, Punjab as compared to the sleepers purchased from the Sleepers Pool Control. In the course of his examination by the sub-Committee, the Executive Engineer concerned, however, made several conflicting statements and eventually admitted that the statement submitted by him was based on hypothetical data and had no relation to actual facts. The sub-Committee consider the action of the authorities in attempting to justify this transaction as highly disingenuous.

Further comment is needless.

64. The sub-Committee have come to know from the Financial Adviser and Chief Accounts Officer that 4 wagons containing 1,255 sleepers never reached Sambalpore and that correspondence is still going on with the Railway authorities for tracing the sleepers. At the same time, the Executive Engineer, Stores, Hirakud seemed to have taken delivery of four other wagons said to contain deodar sleepers which reached Sambalpore. The sub-Committee are unable to make out how it was open to the authorities concerned to set off the contents of a different consignment against the contents of the original consignments as though it had been supplied by Shri Jawaharlal Bhalla, Abdullapore (Jagadhri).

65. To sum up, the sub-Committee ~~have~~ found as follows:—

- (1) There was no justification for the purchase of and the payment for 14,000 out of the 24,000 sleepers on a 'select' basis.
- (2) The requisite financial sanction to the purchase was not obtained.
- (3) Any long-drawn controversy over a question involving disregard of financial rules is not desirable.
- (4) Even granting that all the 24,000 sleepers were received the loss on account of payment of the select rate instead of the Samudha basis is of the order of about Rs. 62,266.

(5) The strong criticism of the Inspector General of Forests, Government of India describing this transaction as a 'sharp sale' is justified.

Adequate disciplinary action against the various officials for the irregularities and disregard of public interest is recommended.

II. IMPORT OF BULLOCKS FROM PUNJAB FOR COMPACTION OF EARTHWORK

66. The attention of the sub-Committee was drawn to another case of irregularity in the matter of compaction of earthwork in the Main and Subsidiary Dam Divisions through bullocks and especially manufactured sheep-foot rollers. This irregularity first came to light as a result of objections raised by the Financial Adviser and Chief Accounts Officer. The facts are as follows:

67. An oral order for the supply of bullocks on hire for compaction of earthwork on the right dyke at Hirakud Dam Project at Rs. 300 p.m. per pair of bullocks was placed by the Executive Engineer, Buildings Division, Hirakud Dam Project.

68. The order was placed under the sanction of the Superintending Engineer in contravention of the C.P.W.D. Code Rules which do not provide for the hire of livestock in the same manner as for the hire of heavy machinery etc. The orders of the Government of India were, therefore, necessary before the proposal was sanctioned.

69. In spite of all the heavy expenditure incurred upon earth-moving machinery and tractors, it is surprising that it should have been found necessary to resort to hiring of bullocks and buffaloes from the far-off Punjab for operating the sheep-foot rollers for compaction work. As the imported animals could not pull the existing sheep-foot rollers, lighter sheep-foot rollers had actually to be made. It is noted that shortly after, the entire idea of compaction by bullocks and buffaloes was abandoned resulting, therefore, in infructuous expenditure.

70. The sub-Committee also note that Shri Shiv Nath Malhotra, one of the contractors, who supplied bullocks and buffaloes was related to Shri Kapur, a fact which was admitted by him before the sub-Committee. He stated, however, that he met Shri Malhotra at Hirakud about a month after the arrival of the bullocks when the latter told him that he was an agent of some persons who had supplied the bullocks and buffaloes. The sub-Committee are, however, satisfied that Shri Shiv Nath Malhotra was actually one of the contractors and is the same person who served notice on Government for filing a suit for Rs. 23,886/2/- for the payment of importation charges of bullocks, hire charges after suspension of work and compensation of livestock etc.

In this connection, the sub-Committee feel further called upon to point out that Shri Kapur actually signed the Railway Receipt relating to transport of a consignment of bullocks and buffaloes for purpose of taking delivery. The sub-Committee have found further that Shri Kapur who had denied knowledge of this transaction immediately entered into correspondence with the Station Master, Sonepat asking in whose name the consignment was made and informed the Station Master that he was neither aware of this transaction nor had he booked any. The Station Master promptly replied that the sender of the consignment was 'Dina Nath, care of S. N. Kapur, I.S.E., Superintending Engineer, Hirakud'. Surprisingly enough the Station Master volunteered the information, though a period of nearly two years had elapsed after the transaction, that in the rush, the Railway Receipt stated only the name of Shri Kapur and Shri Dina Nath's name had been omitted. But the priority register of the Station Master showed only the name of Shri Kapur and the forwarding note contained many corrections, erasures, etc. The Railway Receipt at the Sambalpur end also contained only the name of Shri Kapur. These discrepancies are obviously disquieting. In any case, the sub-Committee are surprised at Shri Kapur's pleading ignorance of this transaction.

71. The sub-Committee consider that Shri Kapur's action in approaching the Station Master, Sonepat, direct when the whole case was under enquiry by the Public Accounts Committee, particularly his indirectly suggesting the nature of the reply he expected from the Station Master, was highly objectionable.

72. There was no written agreement for the original contract for the hire of bullocks, nor was there any formal tender invited. It is only stated that notices were hung on notice boards in one or two Divisions. The Financial Adviser and Chief Accounts Officer did not accept the rate of Rs. 300 per month on account of hire charges per pair of bullocks and he made provisional payment for the period 29th January 1951 to 25th April 1951. It is noteworthy that tenders were subsequently invited with the result that rates varying from Rs. 310 to Rs. 550 were tendered by the same group of contractors, namely, Shri Dina Nath and Shri Shiv Nath Malhotra and few others. The lowest tender gave the rate of Rs. 320 per month per pair of bullocks, together with the condition that for every 10 pairs, at least 50 acres of land will be provided for growing fodder and that the hire charges should be paid continuously for the whole year.

The sub-Committee cannot help feeling that the subsequent arrangements were only a counterblast to the earlier objections of

the F.A. and Chief Accounts Officer having regard to all the circumstances of the case.

73. The sub-Committee have regretfully to draw attention to the following outstanding points that emerge from their examination:

- (a) The deplorable lack of planning of compaction of earth-work by machinery in spite of the expenditure incurred upon tractors, rollers, etc. The situation would be amusing if it were not for the bitter controversy and unhappy disclosure that followed.
- (b) There had been a violation of rules relating to contracts, in particular, the avoidance of favouring of relations. The sub-Committee note with satisfaction that the legal opinion which had been taken on one of the claims also supported the theory that the entire transaction was ill-conceived and collusive and that practically no work had been done.
- (c) This case had *inter alia* a bearing upon the general atmosphere of disharmony between the Engineers and F.A. and Chief Accounts Officer which was created at Hirakud.

In view of the above, the sub-Committee trust that the Government will take adequate disciplinary action against the officers concerned and devise effective measures to prevent favouritism or nepotism in the grant of contracts.

VI

RECRUITMENT OF OFFICERS ON THE PROJECT

74. When the construction of the Hirakud Dam Project was taken in hand, apart from the question of getting stores including machinery and equipment, the next problem was that of getting the right men for the job. In the matter of personnel; however, the sub-Committee have found that in a certain number of cases recruitment was made without adequate assessment and verification of the qualifications, experience and antecedents. Obviously, it is not possible for the sub-Committee to go into each individual case of appointment but certain cases that have been brought to their notice are detailed below which show the unsatisfactory manner in which recruitment was made. In extenuation of this, it was urged on behalf of the Ministry and the C.W. & P.C. that it should be remembered that there was a great dearth of skilled personnel as well as the necessity for the rehabilitation of displaced persons. The sub-Committee are not satisfied that either of these circumstances could justify the employment of persons who were found unsuitable for the purposes of the Project on account of their unsatisfactory antecedents.

(1) Executive Engineer (Stores), Hirakud Dam Project

This Officer was working as an Assistant Works Manager, Government Central Workshops, Amritsar on contract basis. His contract was due to expire on the 18th May, 1950. About 2½ months before the expiry of this contract, he seems to have sent an application for the post of an Executive Engineer (Stores), on the Project to the C.W. & P.C. It has been admitted that he also saw certain Members of the Commission. It is on record that on 29th March, 1950, a reference was made by the Commission to the Chief Engineer, Punjab inquiring whether the Government of the Punjab would be prepared to spare his services. The Chief Engineer, Irrigation, Punjab made a protest to the Commission asking as to why and in what circumstances cognizance of his application was taken.

Subsequently, he seems to have sent another application, dated the 16th May, 1950 which was received in the Commission's Office on 18th of the same month. A copy of the same application appears to have reached a Member of the Commission on the 17th May, 1950 on which he noted as follows:

"Please take necessary action to take him on as an Executive Engineer at once."

From the noting made in the Office of the Commission on the above orders, it appears that an attempt was made by the Assistant Secretary, C.W. & P.C. to explain matters to the Punjab Government for entertaining his application when he was in the service of that Government in the following words:

"Shri.....Assistant Works Manager **did not apply for employment in the CWINC.** The enquiry whether the Punjab Government would be prepared to spare his services was made on the understanding that Shri.....was in employment in the Government Central Workshop, Amritsar, on a contract basis and that in the event of his release from there, the C.W.I.N.C. might consider his employment in this Organisation and it was for that purpose that his record was called for."

The first sentence was subsequently omitted from the above note on being pointed out by the Secretary to the Commission that it is 'contrary to the facts'. Matters stood at this stage for nearly a month when the Deputy Secretary in the Ministry of W.M. & P. approved a draft on the 13th June, 1950 making an enquiry from the Punjab Government regarding him. The file thereafter seems to have remained with the Additional Secretary till 27th of June when the Officer concerned submitted a letter to another Member of the Commission stating as below:

"..... I will be released from my existing job in the Punjab Government, Irrigation Branch on the 3rd July, 1950 and I shall be highly obliged if you will please decide my case of appointment as Executive Engineer in the Hirakud Dam Project at an early date."

The same day, this Member of the Commission, whose Office was situated at some distance from the Secretariat, seems to have seen the Deputy Secretary in the Ministry of Works, Mines and Power after which it was decided not to issue the above draft letter to the Punjab Government and steps were taken to proceed further with the appointment of the above Officer as an Executive Engineer (Stores) on the Project temporarily for one year or till a candidate had been recruited from abroad by the U.P.S.C. whichever was earlier. This appointment letter was handed over to the candidate personally in the Commission's Office on July 1, 1950, though he had not handed over charge in Punjab till 10th July, 1950. He took over at Hirakud on 19th July, 1950.

It will be seen from the above facts that this Officer's confidential records were not called for before making his appointment. The draft letter to the Punjab Government which was marked for issue in the Ministry was withheld and not issued. The confidential

records of this Officer were received in the Office of the C.W. & P.C. only on 16th August, 1950 when he had already joined the Project. On the 12th May, 1951, a confidential letter was addressed by the Chief Engineer, Irrigation Works, Punjab to the then Chief Engineer, Hirakud Dam Project stating that while employed as Executive Engineer, Stores Division on the Bhakra Dam Project, he placed heavy indents for the supply of glass panes costing about Rs. 50,000 without any demand from indenting divisions against the rate contract for the purchase of stores in force at the time. It was further stated therein that while placing the order, the Executive Engineer did not specify the weight nor thickness nor even the quality of glass. He also failed to send the copy of the indent to the Stores Purchasing Officer. Describing the conduct of the Officer, the Chief Engineer *inter alia* stated as below:—

* * * * *

This conduct of his is open to grave suspicion. Taking the most charitable view the least that can be said is that the Officer has shown his incapacity thereby causing considerable financial loss to the Government. An Executive Engineer, Stores who does not keep abreast of market rates cannot be placed in a position of responsibility where he is responsible for handling large orders on behalf of Government."

At the time when he was appointed, an enquiry was pending against him on this very question.

On a question being asked by the sub-Committee about the action taken by the Hirakud Dam Project Administration on the above letter, it was stated that it was passed on by the Chief Engineer, Hirakud Dam Project to the Superintending Engineer under whom the Officer was employed. No action in the matter beyond keeping a copy of the letter in confidential records of the Officer was taken by the Superintending Engineer concerned.

As stated elsewhere in this Report, this Officer is involved in the case known as the 'Purchase of Sleepers'. When the sub-Committee was proceeding with the examination of this case, the Ministry of Irrigation and Power gave him notice of termination of his services.

(2) Superintending Engineer, Subsidiary Dam and Canals Circle

Prior to his appointment as Superintending Engineer, Hirakud Dam Project, this Officer was employed as Director of Industries, Punjab. From the evidence placed before the sub-Committee, it appears that he, while employed at Hirakud, did not work in fruitful co-operation with the then Chief Engineer of the Project or the Financial Adviser and Chief Accounts Officer. Ultimately, both he and the Chief Engineer had to be withdrawn from the Project.

While the two cases relating to (i) purchase of sleepers from Jagadhri (Punjab) and (ii) the import of bullocks from Sonepat (Punjab) for compaction of earthwork on the Hirakud Dam Project referred to in the previous Chapters were under enquiry, the Ministry of Irrigation and Power ignoring his conduct recommended him for deputation to the U.S.A. for training under the Point Four Programme. The proposal was dropped as the Ministry of Finance had objected to this Officer being deputed as a nominee of the Central Government. And yet the Ministry of Irrigation and Power arranged to get his deputation abroad sponsored through the Punjab Government immediately. The sub-Committee feel that undue interest was shown by the Ministry in pursuing the personal case of this Officer:

(3) An Assistant Executive Engineer

This Officer was appointed as an Assistant Executive Engineer on the Project on the 27th November, 1950. Prior to that, he was working in the Directorate General, Disposals as an Assistant Director from the 11th September, 1946. Later, in December, 1950, the Directorate General of Disposals informed him direct conveying to him the displeasure of the Director General, Disposals in respect of his having authorised an excess payment for railway freight to a firm. A copy of this letter was subsequently sent to the C.W. & P.C. on the 11th January, 1952 and was placed in the confidential record file of the Officer which was maintained by the Commission and no further action was taken by them. The sub-Committee observe that in this case too, the C.W. & P.C. failed to follow the recognised procedure of calling for the Confidential Records of the Officer from his previous employers.

(4) Two officers who were displaced Engineers from the N.W.F.P. were appointed as temporary Executive Engineers on the 18th November, 1947 without their antecedents being verified. The Accountant General, Central Revenues who visited Hirakud along with the then Secretary, Ministry of Works, Mines and Power, reported against these two Officers as below:

(1) First Officer

- (a) irregularity in preparation of Muster Rolls;
- (b) high rates of construction of service roads, dykes and trial wells;
- (c) certain works shown as not being susceptible of measurements.

(2) Second Officer

- (a) local purchases made in excess of power delegated to the Executive Engineer amounting to Rs. 80,000;
- (b) placing orders for stores worth Rs. 18,000 after receipt of his transfer orders from the Division with the two firms from whom he had made the above local purchases;
- (c) payment at rates in excess of market rates;
- (d) calling for limited quotations instead of open tenders; and
- (e) employment of superfluous work-charged establishment.

The services of these two Engineers were terminated on the 30th April, 1949 after serving them with suitable notice.

No intimation was given to other State Governments or sister organisations with the result that one of them found employment in the Bakhra Nangal as an Officer and the other as a contractor.

WORK-CHARGED ESTABLISHMENT

75. One of the points of controversy between the Engineers and the Financial Adviser and Chief Accounts Officer has been over the appointments to work-charged establishment. A brief account of this controversy will help in clarifying the issue. On 5th/6th September, 1950, the Financial Adviser and Chief Accounts Officer wrote to the Chief Engineer, Hirakud Dam Project that the work-charged establishment was excessive in view of the expenditure on the works concerned. He drew pointed attention to the Masonry Dam Division where the percentage which the work-charged establishment bore to work outlay was 20 per cent. He requested that employment of such staff should be reviewed. He forwarded a list of persons appointed on Rs. 100 plus Rs. 45 to Rs. 400 plus Rs. 70 each. He also sent another statement showing that the total works expenditure on all the Divisions during the three months ending 30th June 1950 was about Rs. 70.5 lakhs whereas the cost of work-charged establishment was nearly Rs. 6.25 lakhs.

Two appointments carrying a maximum consolidated pay of Rs. 1,700 per month in each case, one as Mechanical Superintendent and the other as Job Superintendent were made on the work-charged establishment. This was an evasion of the limitations provided in para. 10 of the C.P.W.D. Code.

One of these two appointments was that of an Officer who had retired as an Executive Engineer under the Punjab Government. While re-employed as a Superintending Engineer under the PEPSU Government, he applied for the post of a Superintending Engineer.

(Mechanical) on the Hirakud Dam Project. The then Chief Engineer, Hirakud Dam Project agreed to appoint this Officer as Superintending Engineer (Mechanical) on the work-charged establishment for a period of one year in the first instance. His employment was further extended for 3 months. During this period he died.

The sub-Committee feel that it is improper that a Superintending Engineer drawing about Rs. 1,600 or so p.m. should be appointed on the work-charged establishment in contravention of the existing rules on the subject framed by the Government of India. In this connection, they would also draw the attention of the C.W. & P.C. to the provisions of Para. 10 of the Central Public Works Department Code which precludes the appointment of the Officers of the rank of Superintending Engineers on the work-charged establishment. This procedure involving the violation of established rules was evidently designed to circumvent rules of sanction to establishment and recruitment.

76. Recruitment of local people.—In order that the Orissa Government may be in a position to assume responsibility for the running of the Project as soon as it is completed, the sub-Committee suggest that preference should be given to the local people for employment in all categories of staff, as far as possible. It is regrettable that in the past local people have not been given the preference in matters of employment to which they were entitled. A number of Engineering Graduates belonging to Orissa were available and they have not been engaged on construction work. In this connection, the sub-Committee reproduce below the following relevant extracts from Orissa Government's letter, dated the 16th October, 1947 to the Government of India and the Government of India's letter of 8th April, 1948 to the C.W. & P.C.

16027 I.
Letter No. H.D.27/47 dated the 16th October, 1947 from Government of Orissa, Public Works Department to the Secretary to the Government of India, Ministry of Works, Mines and Power, New Delhi.

* * * * *

It is understood that the Central Waterways, Irrigation and Navigation Commission will endeavour to employ Orissa Engineers as far as possible during the period of the construction so that they may be in a position to assume responsibility for the running of the scheme at the earliest possible date".

* * * * *

Letter No. DW.106(64) dated the 8th April, 1948 from Government of India, Ministry of Works, Mines and Power to the Chairman, Central Water-Power, Irrigation and Navigation Commission, New Delhi.

* * * * *

"The work may be taken in hand immediately and every endeavour made to employ as many Orissa Engineers as possible during the period of construction."

VII

ACCOUNTING SYSTEM FOR THE HIRAKUD DAM PROJECT

77. As the criticisms by the F.A. and Chief Accounts Officer and at his instance by the Ministry of Finance against the continued and systematic disregard of financial rules and procedure in respect of the failure to have sanctioned estimates before incurring expenditure and the failure of the Divisional Officer and the Executive Engineer (Stores) to maintain initial accounts etc. satisfactorily gathered volume and momentum, the Hirakud Dam Project authorities and the C.W. & P.C. started a counter offensive against the accounting system at Hirakud and the general attitude of the Financial Adviser and Chief Accounts Officer. Indeed, the C.W. & P.C. and the Project authorities appear to have been at great pains to prepare a counter case. Their criticisms in the main are as follows:—

- (i) the requirement of a pre-check of all bills by the F.A. and Chief Accounts Officer before payment has led to considerable delays and withholding of payments, with consequent increase of rates. Moreover, payment of bills by the Financial Adviser and Chief Accounts Officer instead of by the Executive Engineers has also led to the loss of prestige and, therefore, of authority of the Engineer over the contractors;
- (ii) some witnesses suggested that the Financial Adviser and Chief Accounts Officer should have refused payment of all expenditure not supported by duly sanctioned estimates and that if he had done so, the present situation would not have arisen;
- (iii) the obstructive attitude of the Chief Accounts Officer in his capacity of Financial Adviser in according his concurrence to the proposals of the Chief Engineer, particularly in the matter of establishment, is responsible for the highly unsatisfactory state of the initial accounts, especially the Stores Accounts; and
- (iv) the system of accounting and payment which has been introduced at the Hirakud Dam Project differs materially from that adopted in the past in regard to other large projects and is defective. It does not enable the Engineer to get a correct and up-to-date picture of the progress of expenditure which is so essential for purposes of control.

In connection with these allegations which have formed *inter alia* the subject of an enquiry by a Departmental Committee appointed by Government, the sub-Committee have examined at length a number of witnesses from the Ministries of Irrigation and Power and

Finance, C.W. & P.C., Hirakud Engineers, the Financial Adviser and Chief Accounts Officer, etc. They are dealt with one by one. As regards the first allegation, which is serious, the sub-Committee are astonished that when asked to substantiate them by concrete instances, the Engineers were unable to prove any case of delay in payment. The returning of bills for clarification or with objections is inevitable. But no case of frivolous objection or unwarranted delay has been established. On the other hand, the representative of the Ministry of Finance presented an analysis of the time taken for payment by the Financial Adviser and Chief Accounts Officer as well as the time taken by the Executive authorities for putting forward a claim. And it was conclusively established by him that the Executive authorities had taken considerably longer time for the preparation and presentation of claims and that the time taken in the Financial Adviser and Chief Accounts Officer's Office for dealing with the claims was not unreasonable. Moreover, even in the case of objectionable expenditure for want of detailed estimates, the Financial Adviser and Chief Accounts Officer placed the expenditure under objection and made the payments as he was bound to. He could not withhold the discharging of a liability which had been incurred. In one case, where there was no written contract to establish a liability, namely, the bullocks ordered orally, he justly withheld payment.

As to (ii), this is wholly inconsistent with the allegation that payments were delayed and is equally surprising. Payment to a contractor or labour which is legitimately due cannot be withheld, even though the authority who has entered into the contract or has engaged the labour has exceeded his powers. Withholding of payment to the public who have done work or made supplies could only have resulted in law suits and further undesirable consequences.

As regards (iii), here also, the senior Engineers and Mr. McKelvie who made his assertion repeatedly were unable to give any concrete instances in which the Financial Adviser and Chief Accounts Officer had unreasonably withheld concurrence to sanction. Instances which were cited about the difficulty in purchasing waste-paper basket and an ash tray were admitted to be hypothetical. Long after the oral examination of the witnesses, a statement was produced of some instances in which the Financial Adviser had considered proposals for temporary establishment to be unnecessary or excessive. In these cases, the Financial Adviser had no final power of withholding concurrence and he was only recording his views for transmission to the Government of India who were to reach an independent decision on the proposals. The Financial Adviser was only discharging his duty.

As regards (iv), namely, the criticism of the system of Accounts which had been introduced at the Hirakud Dam Project, the sub-Committee have gone into the details of the matter with the utmost care. The allegation that the Hirakud system of Accounts involves a departure from the recognised Central Public Works Department and Central Public Works Account Codes is wholly incorrect (*vide* rule 9 of the Hirakud Accounting Rules). Except for changes of procedure in regard to the venue of payments, which do not affect the application of the Central Public Works Department and Central Public Works Account Codes, there is no change in the duties and responsibilities of the Engineers in respect of the preparation of estimates, sanctions, tenders, contracts, execution of works and maintenance of initial records and accounts. The Hirakud system of disbursements in a Central Office does not at all differ in essentials from the systems adopted in the past in respect of similar large projects, namely, Mettur, Lloyd Barrage, the Tungabhadra, etc., except that instead of there being a combined Audit and Accounts Office and the payments of bills being entrusted to the combined office under the Comptroller and Auditor-General, the duty of making payments and maintaining and compiling the Project Accounts devolves on an internal Accounting Officer at Hirakud under the Government of India. This is a very essential improvement and there is also a separate Audit Office as a further check on behalf of the Comptroller and Auditor-General. This is an improvement, if anything, and it is impossible to see how this system hinders the Executive from the discharge of their responsibilities any more than the system in force at Tungabhadra or elsewhere. Moreover, the Comptroller and Auditor-General has been systematically opposed to the payment of bills by his Officers, a view which has found the strongest support from the Public Accounts Committee in their Report on the Exchequer Control over Public expenditure. The sub-Committee are glad that a combined Audit and Accounts Office was not established at Hirakud. In any case, it does not make the slightest difference, since in all the systems followed in the past, pre-check and payment by a Central Accounting Office was the normal rule. The sub-Committee regard the entire allegations as highly frivolous, if not amazing.

The real reasons, for the comparative smoothness of execution of the Tungabhadra Project and the absence of friction between the combined Audit and Accounts Office, on the one hand, and, the Engineers, on the other, are to be found in the fact that all the rules of technical, financial and accounting procedure in regard to plans and estimates and execution have been scrupulously observed by the authorities of that Project, while reverse is the case on the Hirakud Dam Project.

78. As to the responsibility of the Financial Adviser and Chief Accounts Officer for the maintenance of the Accounts of the Project at all stages, the sub-Committee would emphasise that the appointment of a Chief Accounts Officer did not in the least detract from or modify in any way the responsibilities of the Sub-Divisional and Divisional Officers for the maintenance of all the initial accounts, including Accounts of Stores, Works Abstracts, Registers of Work, etc. It is the initial failure to maintain these Accounts from a period long before the appointment of the Financial Adviser and Chief Accounts Officer and the continued disregard of financial and accounting rules by the Engineers which are the sole reason for the subsequent confusion in the Accounts of the Project as a whole.

VIII

COMPENSATION FOR SUBMERGED AND OTHER LAND, RECLAMATION AND RESETTLEMENT OF DISPLACED PERSONS:

79. After the completion of the dam at Hirakud, it is estimated that nearly 1,57,600 acres of land will be submerged out of which one lakh of acres are at present under cultivation. In the original Project Report, it was realised that the steps to be taken for the recompensation to and resettlement of displaced persons should be such as not to involve any material sacrifice on their part. Indeed, the policy recommended in the Project Report was that "Government should give as compensation as far as possible, land in exchange for land and that too well ahead of the date of actual submergence. The compensation in kind or cash should be on terms which are equitable and if anything generous. Government should assist the people in rehabilitation and strive to create conditions in the colonies which should be a definite improvement on the existing ones". Model villages with the essential amenities of life, e.g., drinking water, sanitation, schools, community centres, electricity, etc., were suggested. It was also suggested that expenditure on improvements which is in excess of compensation allowance in the project should be met from the General Revenues as a contribution towards the raising of standard of living of the people.

80. The sub-Committee note, however, that actual cash compensation to the extent of over Rs. 1½ crores appears to have already been paid upto November, 1952 out of which a substantial amount apparently relates to the holders of land to be submerged. The Orissa Government are in charge of land acquisition and reclamation of land and resettlement of displaced persons. The sub-Committee have ascertained that about 5,000 acres of land have been reclaimed but there has been no resettlement on this land in spite of the fact that a larger number of persons than would be required to be resettled on this land have received compensation. This has led to avoidable expenditure on the reclaimed land in order to prevent it from relapsing into jungle. Obviously, the original intention of securing a quick resettlement of the persons who would be displaced has not been achieved and it is vital for the success of the scheme that the causes for this failure should be thoroughly investigated and removed. So far as the sub-Committee have been able to assess the reasons in their brief enquiry, the position is found by them to be as follows:

- (i) owing to the delay in the construction of the dam and the submergence of the land, the tillers of the soil have naturally shown no anxiety to move; and

(ii) the compensation has gone into the hands of a number of 'non-cultivating owners who are not interested in the purchase of new land. Many tillers of the soil who are the persons actually interested in resettlement have not received any compensation. In consequence, the problem of the resettlement of the landless tiller will have to be faced sooner or later.

The consequent delay in the resettlement on reclaimed land has led to non-realisation of the urgency of reclamation work and a grave situation is in the making. This needs careful consideration.

81. The payment of compensation in cash which may have been necessitated by the existing law of land acquisition is inconsistent with not only the Project Report but is also at variance with the sound method of resettling the displaced persons on land by the grant of compensation in kind, i.e., land for land etc. consistent with principles of social justice. The entire approach to this issue requires reconsideration.

82. The sub-Committee understand that the view has been taken by the authorities that only the cost of compensation given for submerged land, buildings, and trees should be regarded as a charge legitimately to be borne by the Project and that the entire cost of reclamation of the land and the resettlement of displaced persons should be borne by the Orissa Government. The State Government are expected to reimburse themselves from the sale of land to the displaced persons and others. The Government of India have stated, however, that if necessary, they are prepared to assist the Orissa Government by the grant of a loan for the reclamation and resettlement projects as an issue separate from the Hirakud Dam Project. The sub-Committee are unable to understand the logic of excluding from the scope of the project scheme the expenditure on reclamation of land and resettlement of displaced persons, **at any rate to the extent that resettlement of displaced persons and reclamation for that purpose are inescapable.** It is the moral obligation of a civilized State to resettle cultivators and the population displaced as a result of Government submerging their land. And this is a responsibility which has been accepted by the Government in the early days of agitation against the Hirakud Dam Project. The payment of cash compensation on a basis unrelated to the cost of resettlement is not equitable, nor will it ever solve the problem. Reclamation and resettlement costs will, therefore, have to be regarded as an integral part of the cost of the project, at any rate up to the extent that land has to be reclaimed for the resettlement of the displaced population.

The sub-Committee consider it necessary to be clear on this issue as otherwise, wrong policies leading to dangerous results may be followed by the Government in the planning and phasing of reclamation and resettlement. The sub-Committee desire, however, to make it clear that resettlement does not include provision of amenities not already enjoyed such as hospitals, schools, electricity, etc., but reasonable amenities such as the displaced persons are already enjoying in the displaced land, viz., houses, village roads, village communications, etc.

83. The sub-Committee in this connection understand that on the question of the classification of the expenditure on reclamation and resettlement, the Comptroller and Auditor-General had not been consulted by the authorities.

The sub-Committee understand, however, from the Comptroller and Auditor-General with whom they have discussed the matter fully that the formula evolved above is the only one which he himself would accept as correct. Any other course would not be representing a true account of the Hirakud Dam Project. Once, the expenditure is recognised as unavoidable, it would not be correct to keep it out of the account of the Project.

IX

GENERAL RECOMMENDATIONS AND CONCLUSIONS

84. General Observations.—While recognising that in the post-war enthusiasm for multi-purpose projects, there was naturally an anxiety to commence and complete such projects with the minimum delay, the sub-Committee feel that this did not justify the continued incurring of expenditure on a large scale for an indefinite period of time without following the well-established conventions and rules regarding the execution of works. Detailed designs, plans and estimates duly approved by competent authority are the very basis on which a Government is able to decide upon the wisdom, or otherwise, of proceeding with the Project and constitute the basis of conforming to expenditure. In view of the responsibility assumed by the C.W. & P.C. for the preparation of detailed designs, with quantities etc. and the failure of that body to produce them until early 1951, the sub-Committee cannot absolve the C.W. & P.C. from its share of responsibility for the serious irregularity which has occurred in this respect. Nor, can they accept the plea that the C.W. & P.C. was not aware of what was going on. The reasons for this conclusion are apparent from other parts of this report.

Notwithstanding the short-circuiting of many of the financial and other procedural rules, it is regrettable that the progress of the project is far behind the schedule and must, therefore, result in enhanced capital cost, interest charges and delayed returns. In this connection, the sub-Committee record that the continued execution of works without detailed estimates was one of the major points of discord with the Financial Adviser and the Chief Accounts Officer and also for the indefiniteness and incompleteness of the accounts.

85. Financial Control and accounting arrangements.—The sub-Committee observe that the Ministry of Finance must accept their share of responsibility for the delay in putting on the ground at Hirakud the necessary Organisation for financial control and liaison and the maintenance of the Project Accounts. Long before the commencement of this and other Projects, it was recognised by the Government of India at various Departmental Conferences that it would be necessary to have a high level Financial Adviser at the Centre for all multi-purpose River Projects and that there should be at the site of each Project, a Joint Financial Adviser. There was also to be a Chief Accounts Officer functioning under the Joint Financial Adviser for each Project. This recommendation was reiterated at a high level Conference held on the 7th September 1948 at which the Auditor-General and the representatives of all the Ministries concerned were present. The sub-Committee are of the view that this recommendation should be fully implemented.

Although the expenditure sanction to the Hirakud Project was accorded in June, 1947 and the expenditure began to be incurred from early 1948, the Chief Accounts Officer was not appointed until sometime towards the end of March 1949. This time lag was unfortunate as by that time the incurring of expenditure without sanctioned estimates and failure of the Executive to maintain the initial Accounts had already become a regular feature. Large scale purchase of stores and machinery had also begun. Moreover, by 1950 when the affairs of the Hirakud Dam Project came before the Estimates Committee and the irregularities had already assumed serious proportions, it appears that the Ministry of Finance was not fully conscious of the gravity of the situation. Adequate pressure does not appear to have been exercised at Headquarters upon the Ministry of Works, Mines and Power until a later date, when the disagreement and disharmony at Hirakud arising out of the continued disregard of financial and accounting rules became serious. This, however, does not condone in any way the serious irregularities committed by the Executive themselves by continuing to incur expenditure without estimates, disregard of financial and accounting rules, the financial interests of the State and failure to maintain initial Accounts, and generally speaking, lack of co-operation with the Financial Adviser and Chief Accounts Officer, which they displayed.

In this connection, as a lesson for the future, the sub-Committee would draw attention to the fact that the Public Accounts Committee have in recent years repeatedly drawn the attention of Government to the necessity and importance of planning the financial, accounting and audit Organisation for each new project involving considerable expenditure and the fact that such arrangements should be regarded as an integral part of the planning of the execution of a project as a whole. The Comptroller and Auditor-General has also been constantly impressing this on the Central and State Governments. Serious attention must be paid to this recommendation. Otherwise, much of the effort of the State will be expended on locking the stable after the horse has been stolen.

86. Separate and whole-time Joint Financial Adviser for each Project.—The sub-Committee note further that the Ministry of Finance departed from their original policy decision that there must be a separate Joint Financial Adviser for each Project.

The Chief Engineer's initiative in the matter of preparation and sanctioning of detailed estimates had been restricted unduly by the orders of the Ministry of Irrigation and Power which had the effect of reducing the utility of the Financial Adviser also locally.

It would have been far more satisfactory if there had been a separate Financial Adviser from the Chief Accounts Officer in order

to resolve any differences. The arrangements added to the difficulties of the situation and tended to create friction which might otherwise have been reduced or minimised. Moreover, the local Financial Adviser should have been a whole-time Officer with adequate financial powers to minimise or reduce the number of references to the Government of India.

87. Unhappy choice of officers.—The sub-Committee have already drawn attention to the fact that the selection of certain members of the senior staff of the Project was unfortunate from the commencement. It has been shown that some of the Officers who have been responsible for some of the more serious financial misdemeanours were chosen without due care or verification of their record and antecedents. The discord and disharmony in Hirakud followed shortly after the wrong choice of Officers who not only had little regard for financial proprieties and rules but systematically defied the authority responsible for their enforcement internally. The first Chief Engineer was only an officiating Superintending Engineer who had received rapid promotion. Apart from this reason, he appears to have been handicapped not only by lack of co-operation but even active hostility from truculent subordinates, complaints against whom were not adequately dealt with by the Centre. It is distressing that in finding the personnel for dealing with one of the world's great projects, it does not appear to have been realised that the Officers must be carefully selected for their technical capacity, and for their ability to work as a team, with enthusiasm and missionary zeal for the progress of the country. The Committee must impress this strongly in view of the fact that the success of the Five Year Plan will depend upon the capacity of the Government and their high authorities to inspire the highest qualities in the persons engaged in the active fulfilment of the Plan. The grand spirit with which the Project was originally conceived is not reflected in the manner of its execution.

88. Infructuous Expenditure.—Apart from continued execution of works without sanctioned estimates, the sub-Committee have found that the priorities of the works and their programmes were also haphazard. This was an inevitable consequence of proceeding with expenditure in the absence of finalised designs, plans and estimates. They have already narrated the happenings in connection with the subsidiary dam and power channel resulting in infructuous expenditure of Rs. 1.92 crores. The unfinished bridge over a non-existing canal is another instance.

89. Appointment of a full-time Chief Engineer.—The sub-Committee must express astonishment that in the case of a project of

this magnitude, a full-time Chief Engineer has not yet been appointed and that the present Chief Engineer is partly at Hirakud and partly a Designs Member of the C.W. & P.C. This is only a further instance of the lack of serious appreciation of the problems of the Project. This state of affairs has existed for nearly two years.

90. Functions of the C.W. & P.C. and Chairman of the C.W. & P.C.—The sub-Committee recommend that the Commission should be an advisory and consultative body with authority to undertake investigation of water and power resources of India, research, etc., and should not be permitted to undertake the actual execution of projects. There are many valid reasons for this. A body which has local executive authority in any territory is in a far better position to undertake such responsibilities than a body operating from distant Delhi. It would be extremely difficult for the C.W. & P.C. to undertake in addition to the other duties which the sub-Committee have mentioned, the actual executive responsibility for the construction of projects even if they had under their control a Chief Engineer at the site of the project. The sub-Committee are glad to note in this connection that the Estimates Committee had also reached a similar conclusion *vide* para. 13 of their Fifth Report, 1951-52.

The sub-Committee feel strongly also that the combination in one and the same person of the functions of the Chairman of the C.W. & P.C. and of an Additional Secretary to Government is wholly improper and incorrect and provides only an illusory safeguard. The objections are all the greater when the Chairman of the C.W. & P.C. is also the Vice-Chairman of the Hirakud Control Board, a body entrusted with the most important and intricate technical matters connected with the execution and control of the Hirakud Project. It must be remembered that the Chairman of the Control Board is an extremely busy person with multifarious other duties as a Chief Minister, and the Vice-Chairman has, therefore, a most important role. In other words, the position reached is that the same person has triple responsibilities and functions in his capacity as Chairman of the C.W. & P.C., Vice-Chairman of the Control Board and finally, as Additional Secretary. Moreover, the Chairman of the C.W. & P.C. is also an extremely busy man with multifarious projects all over India. He has also international functions and has to visit foreign countries. The sub-Committee consider that nothing could be more unsatisfactory than the combination of all these functions and imposition of them in one Officer. The sub-Committee accordingly recommend that the Chairman and Members of the C.W. & P.C. should confine themselves single-mindedly to the job of Consulting Engineers and Advisers and no administrative Secretariat posts should be foisted on them. The sub-Committee need scarcely add that they are not influenced by any but considerations of propriety.

and efficiency in making this recommendation and do not wish this to be taken as a personal reflection on the individual holding the office.

91. Appointment of an Administrator.—Lastly, the sub-Committee are driven to the conclusion that in the case of an enormous project of this kind undertaken by the Central Government in a remote locality, the conditions are considerably different from those of projects undertaken by State Governments under their own immediate control and observation. They do not consider it necessary to labour this point. The sub-Committee consider that in such cases, there should be a full-fledged high level General Administrator in-charge of the project as a whole, controlling all aspects including land problems, irrigation and other economic matters. The General Administrator should be a specially selected Officer of wide and varied administrative experience to exercise the maximum possible authority and powers in consultation with a Financial Officer of adequate status and powers and who could be relied upon to pay due regard to local problems and sentiments and the wishes of the State Government. Adequate Governmental and Parliamentary control can be secured by the aid of a strong Audit and other suitable measures. The salary and amenities of such an Administrator should be generous and consistent with his authority and responsibilities.

92. Conduct of Business by the C.W. & P.C.—The sub-Committee are surprised to learn that the C.W. & P.C. have not so far framed any Rules of Procedure for the conduct of their business and no formal meetings of the Commission are held. The sub-Committee desire that the Commission should frame a set of Rules for regulating their business and a record should be kept of all important decisions arrived at the meetings which should be held periodically for reviewing *inter alia* the progress of the execution of the various Projects entrusted to the Commission and other cognate matters viz., administrative, technical and financial.

Appendix I

SUMMARY OF THE RECOMMENDATIONS OF THE SIXTH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

Sl. No.	Para of the Report of the Sub-Committee	Ministry concerned	Recommendations
(1)	(2)	(3)	(4)
1.	32	Irrigation & Power.	The question of apportioning responsibility between the various Officers who have been responsible for the non-observance of the Stores Accounting Rules and not organising a proper set-up should be taken up by Government immediately.
2.	33	do	In case it is not possible to have the loose ledger sheets printed through the Controller of Printing and Stationery in time, Government should sanction local purchase as any amount spent in this behalf is likely to yield benefits to the Project as a whole and prevent frauds or misuse of stores etc.
3.	34	do	The entire job of opening ledgers for all categories of stores viz., those imported from abroad, those purchased locally and those indented through the D. G., Supplies & Disposals should be completed by the end of the current year and stores found surplus should be disposed of.
4.	35	do	The rules regarding the accounting of stores as laid down in the Central Public Works Account Code and as supplemented by the Hirakud Dam Project Accounting Rules should be rigidly enforced and no deviation from the prescribed procedure permitted.
5.	36	do	The question of transferring the surplus stores to other Project Administrations should be taken up immediately to avoid deterioration and consequent loss.
6.	37	do	Stock-verification of stores which are not likely to be required on the Project in the next few years should be taken up immediately and a statement showing the price thereof prepared and verified by the Financial Adviser and Chief Accounts Officer.

1	2	3	4
7.	38	Irrigation & Power.	Stock-taking of all stores rendered surplus should be taken and their values assessed periodically. In case, the stores are not likely to be utilized in the near future, action to dispose them of according to rules may be taken in order to avoid further losses on account of wear and tear.
8.	39	do	In order to prevent the expenditure on the Project being inflated, the reserve limit for stocking various categories of stores should be fixed in consultation with the Accounts authorities. The whole system of purchasing and stocking stores should be rationalised so as to eliminate unproductive expenditure and loss.
9.	44	do	The question of dismantling the Railway track, linking up the site of the Subsidiary Dam, which runs into several miles may be considered as the amount involved in its construction as also its subsequent maintenance is not likely to prove commensurate in the long run.
10	48	do	The Accounts of the Rail-Road Bridge over the Mahanadi should be gone into by a team consisting of an independent Bridge Engineer drawn from Madras or Bombay or Hyderabad States and a special Accounts Officer with a view to ensuring that the cost of the Hirakud Project is not inflated by any process of incorrect accounting.
11.	52	do	Profiting from the past experience, the Central Water & Power Commission should carefully study the implications of the various recommendations made in the Report of the French Engineers on the navigation of Mahanadi River both in respect of expenditure and the returns and its ultimate effect on the economics of the Project as a whole.
12.	65	do	Adequate disciplinary action against the various officials responsible for the irregularities and disregard of public interest in handling the transaction for the purchase of deadwood sleepers from Punjab should be taken.

1	2	3	4
13.	73	Irrigation & Power.	Government should take adequate disciplinary action against the Officers responsible for the import of bullocks from Punjab for compaction of earthwork at Hirakud and devise effective measures to prevent favouritism or nepotism in the grant of contracts.
14.	76	do	In order that the Orissa Government may be in a position to assume responsibility for the running of the Project as soon as it is completed, preference should be given to the local people for employment in all categories of staff, as far as possible.
15.	77	do Finance	The expenditure involved in the reclamation of land and resettlement of persons displaced from land submerged as a result of the construction of the Hirakud Dam should be regarded as an integral part of the cost of the Project at any rate upto the extent that land has to be reclaimed for the resettlement of the displaced population.
16.	85	Irrigation & Power Finance	The recommendation made at the various Departmental Conferences and as reiterated at a high-level conference held on the 7th September, 1948 at which the Auditor-General and the representatives of all the Ministries concerned were present that it is necessary to appoint a high level Financial Adviser at the Centre for all multi-purpose River Valley Projects and that there should be at the site of each Project a Joint Financial Adviser with a Chief Accounts Officer functioning under him should be fully implemented.
17.	85	Irrigation & Power All other Ministries	Serious attention should be paid to the necessity and importance of planning the financial, accounting and audit organisation for each new Project involving considerable expenditure and such arrangements should be regarded as an integral part of the planning of the execution of a project as a whole.
18.	87	do	In view of the fact that the success of the Five Year Plan will depend upon the capacity of the Government and their high authorities to inspire the highest qualities in the persons engaged in the active fulfilment of the Plan, the Officers must be carefully selected for their technical capacity and for their ability to work as a team, with enthusiasm and missionary zeal for the progress of the country.

13.	90	Integration of Water & Power.	The Central Water & Power Commission should be an advisory and consultative body with authority to undertake investigation of water and power resources of India, research, etc., and should not be permitted to undertake the actual execution of Projects.
20.	90	do	The Chairman and Members of the C. W. & P. C. should confine themselves single-mindedly to the job of Consulting Engineers and Advisers and no administrative Secretariat posts should be foisted on them.
21.	91	do	In case of an enormous project like Hirakud undertaken by the Central Government in remote locality, there should be a full-fledged high level General Administrator in charge of the project as a whole, controlling all aspects including land problems, irrigation and other economic matters. The General Administrator should be a specially selected Officer of wide and varied administrative experience who could be relied upon to exercise the maximum possible authority and powers in consultation with the Financial Officer of adequate status and powers and to pay due regard to local problems and sentiments and the wishes of the State Government.
22.	92	do	The C. W. & P. C. should frame a set of Rules for regulating their business and a record should be kept of all important decisions arrived at the meetings which should be held periodically for reviewing <i>inter alia</i> the progress of the execution of the various projects entrusted to the Commission and other cognate matters <i>viz.</i> , administrative, technical and financial.

